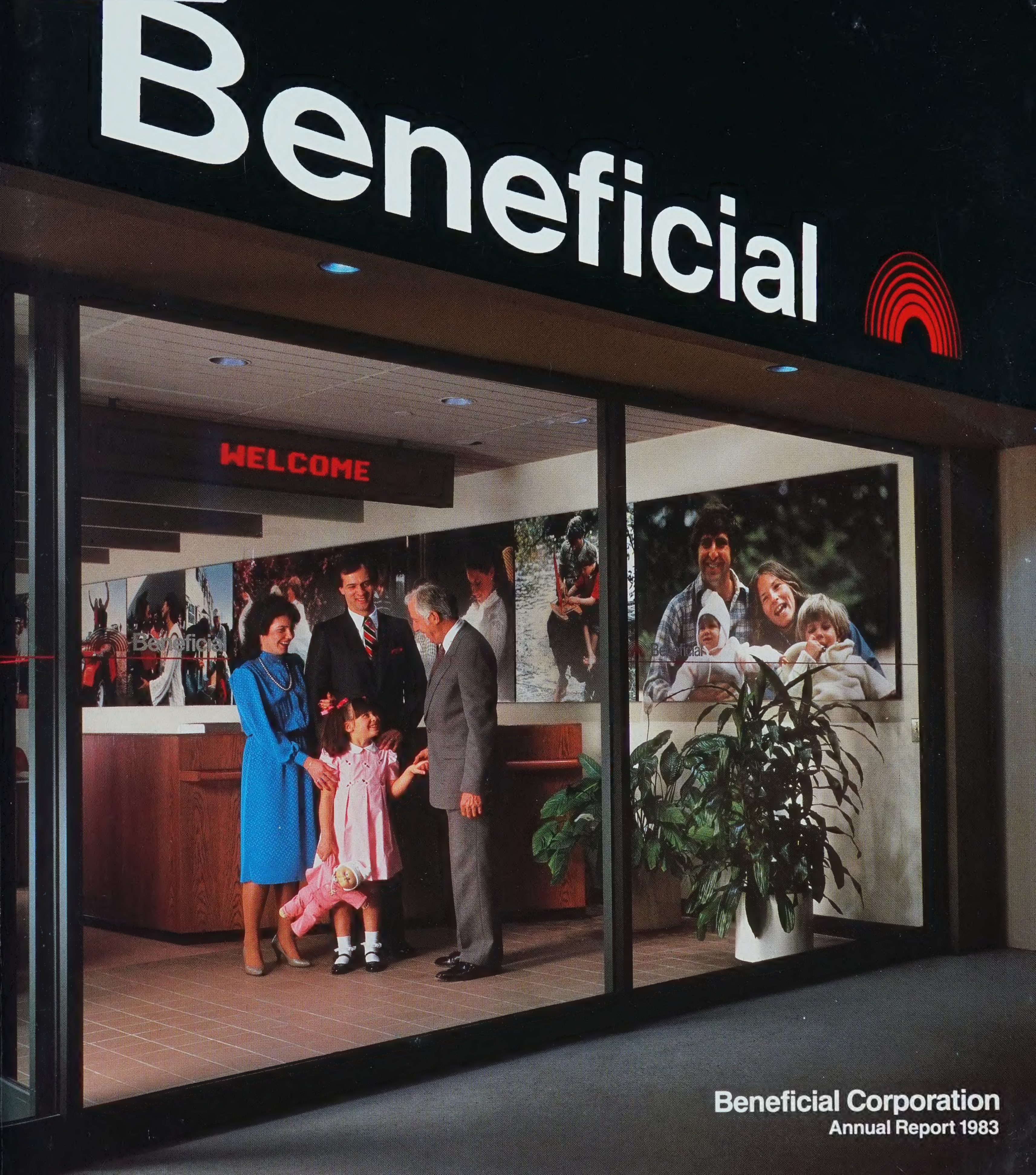


Beneficial Corporation
Annual Report 1983

About the Company

Beneficial Corporation is one of the largest diversified consumer financial services companies in the world. Total corporate assets approach $7 billion. Beneficial provides consumer financial services in the United States, Canada, the United Kingdom, Australia, West Germany, Japan, New Zealand and Ireland.

Consumer finance, with almost $5 billion in receivables, is the cornerstone of Beneficial's business and the basis of the Company's market franchise. Within consumer finance, real estate secured loans and bank credit card receivables represent Beneficial's key growth markets. Credit card receivables are originated through Beneficial National Bank (U.S.A.), the Company's consumer bank.

Beneficial is also a major source of insurance services, principally for consumers. Through the Beneficial Insurance Group (BENICO), whose assets exceed $1.5 billion, Beneficial provides a wide variety of life, annuity, accident and health, and property and liability insurance coverages. Consumer credit insurance is BENICO's largest profit source.

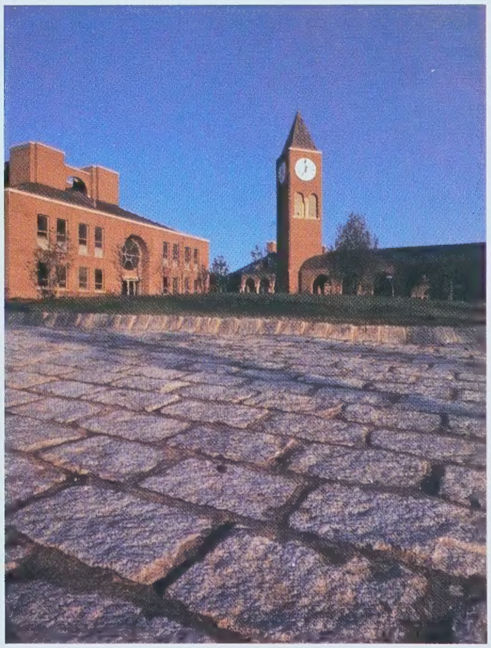
Western Auto Supply Company represents Beneficial's Merchandising Division. Western Auto is a hard goods retailer specializing in automotive supplies.

Pictured on the cover is Beneficial's new, prototype model for consumer finance offices. Incorporated in the signage is Beneficial's new logotype—a rounded rainbow-like symbol replacing the previous concentric square design.

Beneficial Corporation
HIGHLIGHTS

(in millions) Years Ended December 31	1983	1982	1981	% Increase (Decrease) 1983 over 1982	% Increase (Decrease) 1982 over 1981
Consolidated					
Income From Continuing Operations	$ 105.6	$ 78.3	$ 66.7	34.9%	17.4%
Loss From Discontinued Operations	—	(109.7)	(74.4)		
Net Income (Loss)	105.6	(31.4)	(7.7)		
Earnings Per Common Share					
Continuing Operations	3.96	2.73	2.22	45.1	23.0
Discontinued Operations	—	(4.90)	(3.33)		
Net Income (Loss)	3.96	(2.17)	(1.11)		
Dividends Per Common Share	2.00	2.00	2.00	—	—
Shareholders' Equity at End of Year*	953.0	910.3	1,003.5	4.7	(9.3)
Finance Division					
Revenue	$1,581.9	$1,497.6	$1,509.9	5.6	(.8)
Net Income	114.3	86.4	67.6	32.3	27.8
Principal of Finance Receivables**	4,884.3	4,256.3	4,445.8	14.8	(4.3)
Average Account Balance**	2,313	2,048	1,811	12.9	13.1
Reserve for Credit Losses as % of Principal of Finance Receivables**	4.21%	4.42%	4.42%	(4.8)	—
Merchandising Division					
Net Sales and Other Revenue	$ 650.3	$ 599.7	$ 645.7	8.4	(7.1)
Net Income	15.5	12.6	12.0	23.0	5.0

*Includes Redeemable Preferred Stock of $125.0.
**At end of year.



SHAREHOLDERS

☐ *A year of substantial progress for Beneficial. Net income reached a record $105.6 million.*

☐ *Finance Division earnings up 32% to a new record level.*

☐ *Portfolio quality at an all-time high.*

☐ *Gradual improvement in BENICO Insurance Group results anticipated.*

☐ *Western Auto's turnaround momentum continues to build.*

☐ *Beneficial intends to continue to be a major participant in the rapidly-evolving consumer financial services marketplace.*

Finn M. W. Caspersen, Chairman of the Board and Chief Executive Officer.

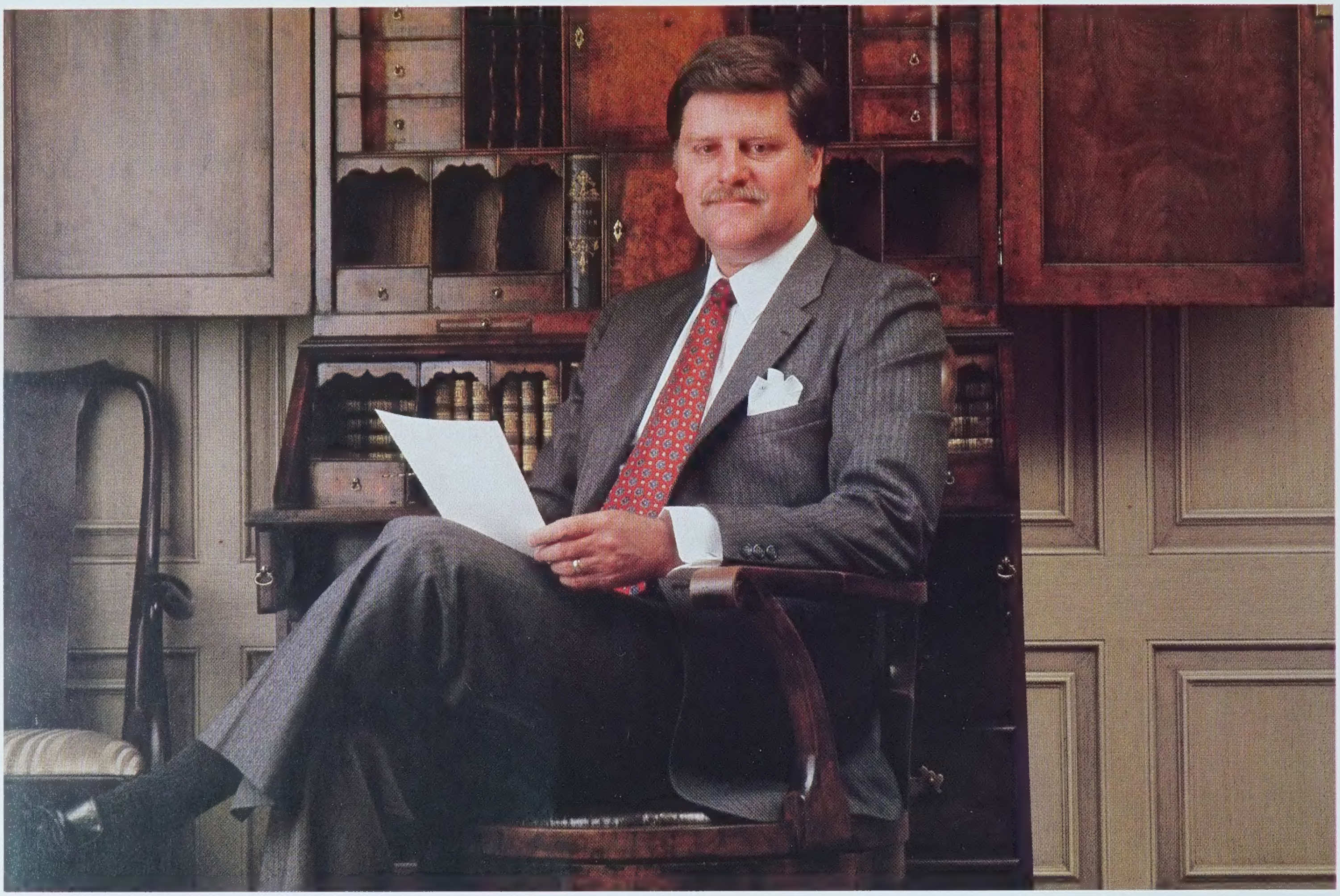
To Our Shareholders

The year 1983 was one of substantial progress for Beneficial Corporation. Net income increased sharply to $105.6 million, a new record for the Company, and was in marked contrast to the net losses recorded in both 1981 and 1982. Excluding the operating losses and writeoff related to the sale of First Texas Financial Corporation in 1982, earnings from continuing operations increased 34.9% from 1982's $78.3 million. On a per share basis, earnings from continuing operations rose 45.1% to $3.96 from $2.73 in 1982.

Finance Division earnings increased 32.3% to a new record of $114.3 million from $86.4 million in 1982, led by another year of excellent performance by our core business, the Consumer Finance Group (CFG). CFG earnings surged 49.7% to $96.1 million from $64.2 million in 1982 and the greatly depressed $16.8 million in 1981, which was the major watershed, reorganizational year in which the CFG's current channeled momentum began to build. Of prime importance, the 1983 CFG earnings total also represents a new record level, far in excess of the previous record of $66.0 million in 1978 and breaking out of the relatively stagnant pattern that had prevailed for most of the past decade. With the overall credit quality of the receivables portfolio now at an all-time high, we consider 1983 results as the harbinger of continued improved performance by the Consumer Finance Group in future years.

Unfortunately, over the same period that CFG earnings have been burgeoning, profits of the BENICO Insurance Group, the other segment of the Finance Division, have been declining. Insurance Group net income fell to $18.2 million in 1983 from $22.2 million in 1982. While the basic health and profitability of BENICO's core credit insurance and annuity and life insurance businesses remains excellent, BENICO has suffered severely from its participation in the property and casualty reinsurance business. However, we have attempted to be both very prompt and conservative in providing for anticipated losses in this troubled

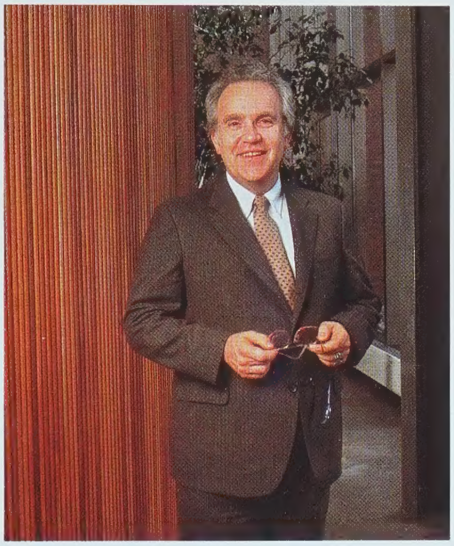
Beneficial Corporation Executive Committee: (Left to right) Finn M.W. Caspersen, Robert A. Tucker, David J. Farris, Gerald L. Holm, Charles H. Watts, II.



(Top) David J. Farris, President and Chief Executive Officer, Beneficial Management Corporation.
(Below) Robert M. Maudlin, Jr., Chairman of the Board and Chief Executive Officer, BENICO Insurance Group.

business, and we are cautiously optimistic that, given our aggressive reserving approach, the worst of this cycle is behind us. We feel confident that BENICO's earning power has now essentially troughed, and that 1984 profits will at least approach the 1983 level, with profits recovering on a quarter to quarter basis from the 1983 third quarter nadir. Also, in perspective, it should be noted that Finance Division earnings have increased 69% over the past two years despite BENICO's troubles, led by the excellent results of the dominant Consumer Finance Group.

Earnings of the Merchandising Division, represented by Western Auto Supply Company and subsidiaries, also showed excellent progress in 1983 as profits rose to $15.5 million from $12.6 million in 1982 on a gain of 8.4% in net sales and other revenue. Significantly,



(Top to bottom) John T. Lundegard, Chairman of the Board and Chief Executive Officer, Western Auto Supply Company; Frederick M. Dawson, President and Chief Executive Officer, Beneficial National Bank; Joseph N. Scarpinato, Chairman of the Board and Chief Executive Officer, Beneficial National Bank (U.S.A.).

Western's turnaround momentum continues to build, reflected in an excellent 14.1% increase in net sales and other revenue during the second half. Western Auto has well-defined operating and strategic plans to further develop and strengthen its position as one of America's leading retailers of automotive supplies. While the company must still be considered to be in a turnaround phase, Beneficial is optimistic about Western Auto's future.

To again strike a theme stressed in last year's message, the financial services business in the United States remains at a crucial turning point. Old lines of demarcation between types of institutions and their traditional markets are blurring significantly. Also, consumers' sophistication about financial services continues to increase rapidly. While the future is unclear, it does appear that a shakeout is in progress, which will bring about substantial consolidation within the industry. Although highly specialized "boutiques" are also likely to prosper, it appears that the industry will be dominated by the giant national (and international) players offering a broad array of financial services to the consumer. Beneficial intends to be one of those players.

Our market franchise as an approachable, prompt, cooperative source of consumer credit is well established in the public's mind. The value of that franchise continues to grow, particularly as we steadily upgrade the quality of our customer base. Our newly reorganized, more professional marketing department will enable us to better understand our customers, and to meet their needs more completely.

Undeniably, a key asset for Beneficial is the expertise of our operating management in providing consumer credit products—an expertise that continues to sharpen and will be broadened to include greater knowledge of other financial products as well. Through our more than 1300 loan offices we maintain a physical presence in all the markets we consider attractive. Such presence is maintained through highly flexible short-term leases, not through burdensome ownership of physical facilities. Accordingly, we are not irrevocably

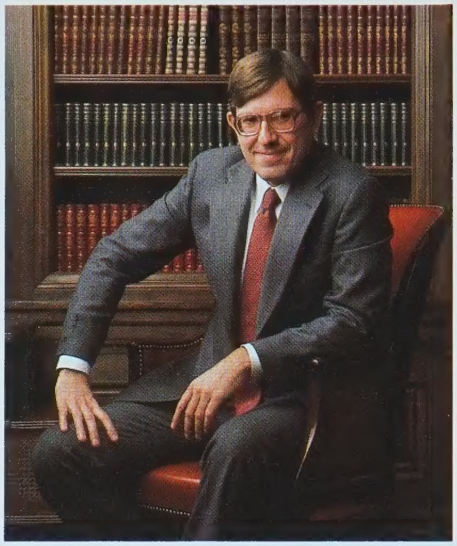
tied to any specific geographical areas. Our experience over the past few years indicates that, given changes in the market, Beneficial can react quickly.

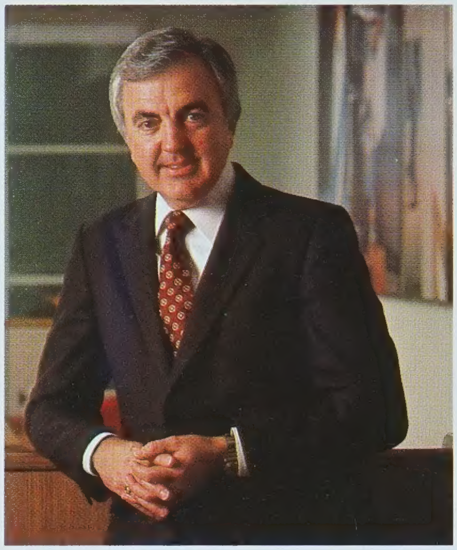
Through our commercial and consumer banking subsidiaries we maintain both full membership in the commercial banking system and an extremely successful bank credit card subsidiary that ranks with the leading banks in the country. Moreover, our credit card operation provides us with a direct mail entree to an extremely attractive customer base, one with higher demographics, on average, than those of our loan office base. The potential to market additional financial services to these customers is intriguing.

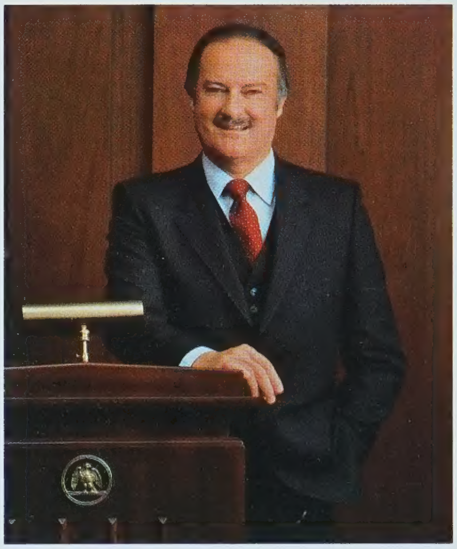
Our excellent financial condition is another important strength that is inherent in our exceptional liquidity, our funding base of over $3.8 billion in relatively low cost long-term debt, and in our continuing warm reception in the credit markets.

Our BENCOM on-line computer system linking the consumer finance office network is another key asset—one that will be enhanced with significant investments in both new hardware and software to handle our increasingly complex product array and to maximize cost efficiency. Clearly, state of the art technological resources are key to successfully competing in the new financial services arena.

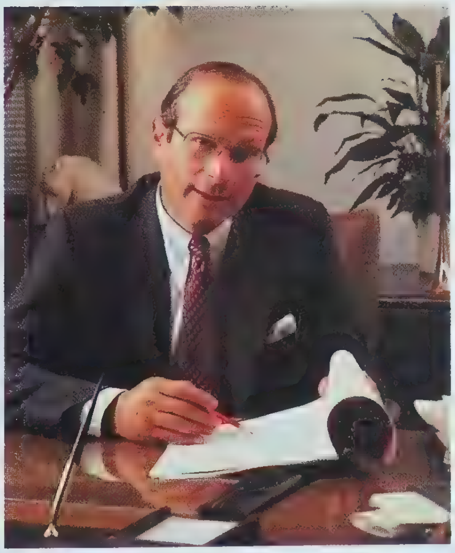
Regulatory barriers in the financial services business appear to be falling rapidly, and we remain particularly free of restrictive regulation as compared to our banking and thrift industry competitors. Additionally, deregulation of consumer loan rates in recent years has been dramatic, so that rate regulation, per se, is not the problem it was for the business a decade ago. The forces of free market competition are now allowed to function in consumer lending in most states. Not surprisingly, the consumer has been the clear beneficiary of this competitive process. Competitive pressure on our rates of charge is quite apparent, forcing us to be increasingly efficient, to maximize credit quality, and to broaden the range of financial services we sell to our customers.







(Top to bottom) Andrew C. Halvorsen, Senior Vice President-Finance; Kendall D. Kelly, Vice President-Product Management; W. James Murphy, Senior Vice President-Operating.



(Top to bottom) James H. Gilliam, Jr., Senior Vice President-Legal; Deborah A. Smith, Vice President-Planning and Corporate Strategy; Robert R. Meyer, Senior Vice President and Controller.

Increased sales of non-credit insurance products—both to our own two million customers and to others—remains a significant opportunity that we must do a much better job of capitalizing on. A broader array of loan products is also being offered in an effort to cover virtually all of a consumer's borrowing needs. In addition to traditional closed-end personal loans and second mortgages, bank credit card and other revolving credit programs are also growing rapidly to offer the consumer maximum convenience. In 1984 an experimental program in mortgage banking will begin, originating first mortgage loans in the loan offices for sale into the secondary market. Further development of selected other financial services is also planned. Beneficial, like all financial services companies, has its work cut out for it over the next few years.

Beneficial enters 1984 on a strong note of optimism. A new vigor and professionalism is clearly apparent and growing in the management ranks. The Company has a much stronger and deeper management team than it did as few as five years ago. This is fortunate, for the telescoping pace of change in the financial services business will test our collective mettle. But as an entire corporation, we look forward to the challenge, and remain most optimistic about Beneficial Corporation's prospects in this dynamic, vital business.

Finn M.W. Caspersen
Chairman of the Board
Chief Executive Officer

Gerald L. Holm
Vice Chairman of the Board

Robert A. Tucker
Office of the President
Chief Financial Officer

ANALYSTS

☐ *Fourth quarter earnings per share increase to $0.97 from a net loss of $0.21 per share in the fourth quarter of 1982.*

☐ *Average cost of $3.8 billion in long-term borrowings still only 10.0%.*

☐ *Real estate secured loans and bank credit card receivables dominate portfolio growth.*

☐ *Credit quality of the consumer loan portfolio dramatically improved.*

☐ *Consumer Finance Group earnings rise 50%.*

☐ *Insurance Group continues in state of transition, as profits fall 18%.*

☐ *Western Auto's sales momentum strengthens significantly in second half, and full year earnings increase 23%.*

Analysts

Earnings Summary

Beneficial Corporation's earnings from continuing operations for the past two years are summarized in the table below. 1982 results exclude First Texas Financial Corporation, which was sold in November of 1982.

Also, several minor accounting reclassifications have been made in the presentation of results (instituted beginning with the first quarter 1983 report to shareholders). Finance Division earnings have been restated to provide a clearer measure of divisional profitability. Corporate administrative expense has been removed from Consumer Finance Group (CFG) earnings and presented on a separate line, relieving the Finance Division and, specifically, the CFG of this general corporate overhead burden. Additionally, Insurance Group earnings are now presented net of interest expense attributable to the Company's investment in the Insurance Group. While such interest expense had been deducted in the calculation of Finance Divison earnings, it had not been directly applied against Insurance Group earnings.

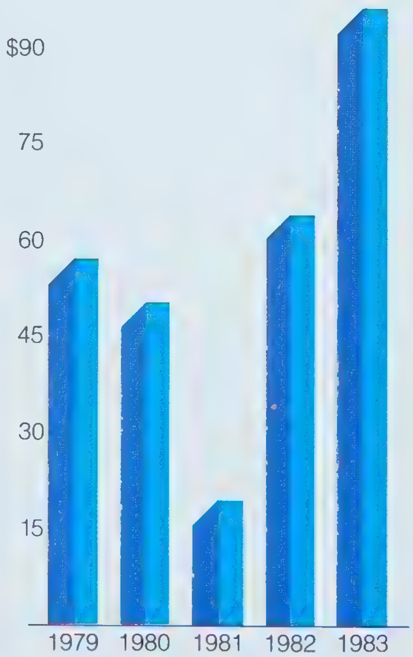
Earnings per share are calculated after deducting Beneficial's substantial preferred dividend requirements, which totaled $17.1 million in 1983 and $17.2 million in 1982.

Review of Fourth Quarter Results

Beneficial Corporation's fourth quarter net income increased to $25.9 million in 1983 from a net loss of $0.3 million in the fourth quarter of 1982. At the end of 1982 the BENICO Insurance Group provided a $30 million pretax reserve for property and casualty loss reserve strengthening and for potential reinsurer insolvencies. This provision created an $11.2 million net loss for Insurance in the quarter and threw the Corporation into a modest net loss position. Accordingly, comparable earnings per share increased to $0.97 from a net loss of $0.21 in 1982.

Fourth quarter Finance Division earnings jumped to $26.7 million from the depressed $1.3 million in 1982, as Consumer Finance Group profits surged to $23.9 million from $12.5 million, and Insurance Group earnings

Consumer Finance Group Earnings
(in millions)



Net Income from Continuing Operations

(in millions)	1983	1982	% Increase (Decrease)
Consumer Finance Group	$ 96.1	$ 64.2	49.7%
Insurance Group	18.2	22.2	(18.0)
Finance Division	114.3	86.4	32.3
Merchandising Division	15.5	12.6	23.0
Corporate Expenses (a)	(24.2)	(20.7)	16.9
Income from Continuing Operations	$105.6	$ 78.3	34.9%
Earnings Per Common Share— Continuing Operations	$ 3.96	$ 2.73	45.1%

(a) Aftertax effect.

recovered to $2.8 million from the aforementioned $11.2 million net loss.

Western Auto's fourth quarter net income increased to $5.4 million from $5.1 million in 1982 despite the fact that 1982 results included a $2.5 million aftertax gain on the sale of a distribution center. 1983 results included a $0.8 million aftertax gain on the repurchase of debentures and a $0.7 million aftertax gain on the sale of real estate. Removing these special items, Western's operating earnings increased to $3.9 million from $2.6 million in 1982 on a strong 16.4% gain in net sales and other revenue.

Full fourth quarter income statements for each of Beneficial's Divisions are presented within the Financial Section of this report.

Financing

Beneficial was active in the long-term debt markets in 1983 as a result of strong growth in the receivables portfolio coupled with refunding needs for maturing debt. During the year, $542.8 million in long-term debt was issued with an average weighted maturity of 14.2 years and an average yield of 12.85%. The flexibility offered by Rule 415 "shelf registration" procedures aided term financing efforts.

As indicated in the table above, long-term debt constitutes the vast majority of the Company's funding base, and it continues to be corporate policy to finance growth largely through long-term debt, although modestly greater proportions of short-term debt will be used in future years to match the Corporation's growing ability to originate variable rate assets. Overseas operations demand a somewhat higher proportion of short-term debt because of the lack of a consistently available, well-developed term debt market for non-Government entities in several countries in which Beneficial operates.

Funding Base

(in millions)	12/31/83	% of Total	12/31/82	% of Total
Short-Term Debt				
U.S. Currency	$ 306.8	6.7%	$ 265.5	6.3%
Foreign Currency	202.8	4.4	166.5	4.0
Total Short-Term Debt	509.6	11.1	432.0	10.3
Deposits Payable	230.5	5.0	223.6	5.3
Long-Term Debt	3,841.7	83.9	3,558.9	84.4
Funding Base	$4,581.8	100.0%	$4,214.5	100.0%

Average Cost of Funds

	1983	1982	1981	1980
1st quarter	10.01%	11.29%	11.18%	10.29%
2nd quarter	10.03	11.29	11.27	10.67
3rd quarter	10.27	10.94	12.15	9.07
4th quarter	10.30	10.48	11.43	10.75
Full Year	10.16%	10.88%	11.53%	10.16%

Beneficial's huge $3.8 billion portfolio of long-term debt is a key corporate asset and represents the cornerstone of the Company's funding base. The embedded average rate on this portfolio remains at an extremely attractive 10.01% at year end, up only slightly from 9.89% at December 31, 1982. Accordingly, Beneficial enjoys a substantial "treasury profit" on funding most of its receivables portfolio, and this base exerts a powerful stabilizing influence on Beneficial's overall cost of funds, despite the fluctuations of short-term borrowing costs. Beneficial's worldwide, melded average borrowing cost of all debt, short and long, on a quarterly basis over the past four years is presented in the table above. These rates include the cost of bank compensating balances and commitment fees.

Looking at the cost of funds on a quarter-to-quarter flow basis, it is apparent that Beneficial's overall cost of borrowing reached an all-time high at 12.15% in the third quarter of 1981 before steadily falling to bottom out at 10.01% in the first quarter of 1983. Not surprisingly, the pattern of U.S. short-term borrowing costs follows this trend. United States short-term money costs for Beneficial peaked at 18.50% in the third quarter of 1981 before declining to 9.19% in the second quarter of 1983.

Beneficial's domestic short-term financing is effected mainly through the direct issuance of commercial paper to institutional investors. Bank lines of credit are conservatively maintained at a level in excess of commercial paper outstandings at any one time. Total domestic bank lines were reduced during the year to $619 million with 77 banks at the end of 1983. Further reductions are planned in early 1984 as the Corporation obtained a cost-effective $100 million revolving credit commercial paper back-up facility

with a syndicate of 14 major European banks in December of 1983. Beneficial's average cost of short-term debt in the United States (excluding the effect of bank compensating balances and fees) averaged 9.51% in 1983, down from 14.09% in 1982.

Overseas, the Company has $244 million in lines of credit with 78 foreign banks. Beneficial has substantial short-term borrowings in England, Australia, West Germany, and in Canada, where the Company also issues (through dealers) commercial paper and medium-term notes. Overseas, Beneficial's average cost of short-term debt declined to 11.43% in 1983 from 15.71% in 1982.

Consumer deposits also play a modest role in Beneficial's funding. At December 31, total deposits were $230.5 million, up from $223.6 million at the end of 1982. Of the 1983 year end total, $81.3 million represented employee thrift accounts, with the remainder generated from Beneficial's thrift units in Ohio, Florida, Colorado and the United Kingdom. Because of its distinct nature as a commercial bank, Beneficial National Bank is a non-consolidated subsidiary of Beneficial Corporation and its $59.4 million in deposits are not included in this total.

Consumer Finance Group

The Consumer Finance Group (CFG) represents the heart of Beneficial Corporation. It is the unit which conducts Beneficial's consumer lending business, and also serves as the marketing channel through which most of the BENICO Insurance Group's profitability is generated. Included in the CFG are the domestic and foreign loan offices, the bank credit card business (conducted by Beneficial National Bank (U.S.A.), Beneficial's other banking and thrift subsidiaries, and the income tax service. Finally, while not consumer driven, Beneficial's leasing and commercial finance activities are also reported in CFG results.

The CFG had an excellent year in 1983 and was by far the dominant factor in Beneficial Corporation's sharp profit recovery. CFG net income increased a substantial 49.7% to $96.1 million from $64.2 million in 1982, led by an excellent $628 million (14.8%) increase in outstanding receivables and significant improvement in credit quality, both as to net chargeoffs and delinquency. The table below analyzes CFG profitability dynamics over the past three years, presenting major categories of income and expense as a percentage of the average principal balance of receivables. While full income statements for the CFG are presented in the Financial Section of this report, it is also quite meaningful to analyze results in proportion to cash invested.

Consumer Finance Group — Profitability Analysis

	1983	1982	1981
Average Receivables (a)	$4,479.9	$4,266.9	$4,366.8
% of Average Receivables			
Finance Charges and Fees	20.53%	21.25%	20.88%
Interest Expense	8.24	9.10	9.96
Lending Spread	12.29	12.15	10.92
Other Revenues	1.43	1.10	1.17
Gross Spread	13.72	13.25	12.09
Provision for Credit Losses	2.30	2.69	2.48
Salaries & Employee Benefits	3.70	3.90	4.35
Other Operating Expenses	4.06	3.89	3.75
Total Operating Expenses	10.06	10.48	10.58
Operating Income	3.66%	2.77%	1.51%

(a) In millions. Excludes unearned finance charges.

After what was, on balance, basically a three year hiatus, strong receivables growth resumed for Beneficial in 1983. Actually, modest growth began in the fourth quarter of 1982 and gained momentum during 1983, culminating in an outstanding $228 million gain during the fourth quarter. Reflecting these trends, Beneficial's average receivables outstanding declined from $4,366.8 million in 1981 to $4,266.9 million in 1982, before increasing to $4,479.9 million in 1983.

Reflecting an increasing proportion of lower yielding real estate secured loans in the portfolio, as well as active rate competition from other consumer lenders, realized gross loan yields were under pressure in 1983, increasingly so as the year progressed. This was true despite strong prepayment penalty income on real estate loans paid off early in their contractual life, and sharply reduced loan delinquency. Accordingly, total finance charges and fees were 20.53% of mean receivables, down from 21.25% of receivables in 1982. However, thanks to the reduction in Beneficial's average cost of funds during the year, the lending spread

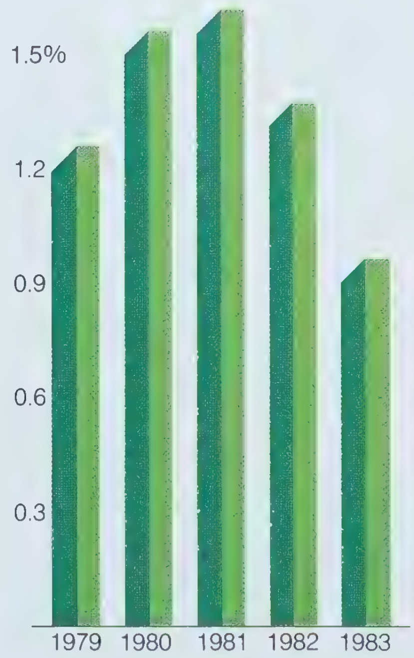
(roughly the equivalent of a bank's net interest margin) increased to 12.29% from 12.15% in 1982. Mainly because of strong gains in credit card fees and tax service income, other revenues increased to 1.43% of receivables from 1.10% in 1982. Accordingly, the CFG's gross spread improved to 13.72% from 13.25% in 1982 and 12.09% in 1981.

Due to the year's sharp 26.9% reduction in net chargeoffs to $83.6 million from $114.3 million in 1982, the provision for credit losses fell to 2.30% of receivables from 2.69% in 1982. It should be noted that the provision for credit losses is a product of three influences: actual net chargeoffs, receivables growth, and improvement in the overall credit quality of the portfolio. Thus, along with replenishing the reserve for the year's net writeoffs, the CFG also provided through the income statement $19.4 million in reserves for new loan growth during the year. Because of this influence, rapid loan growth, while highly beneficial for future earnings, actually has had a dampening effect on immediate profitability since the Company has recorded the full historical reserve as soon as a loan is booked and immediately expenses all the other up-front costs of acquiring the loan, yet books revenue only as cash repayments are actually received. Clearly, every loan loses money the first month it is on the books. Beginning in the fourth quarter of 1983, in recognition of the sharp improvement in the inherent credit quality of the portfolio, Beneficial has lessened this distortion to profitability by adjusting reserve provisions on increases in the loan portfolio to a level appropriate with each category of loan. In essence, the reserve will begin to reflect more reasonable requirements rather than a fixed historical percentage.

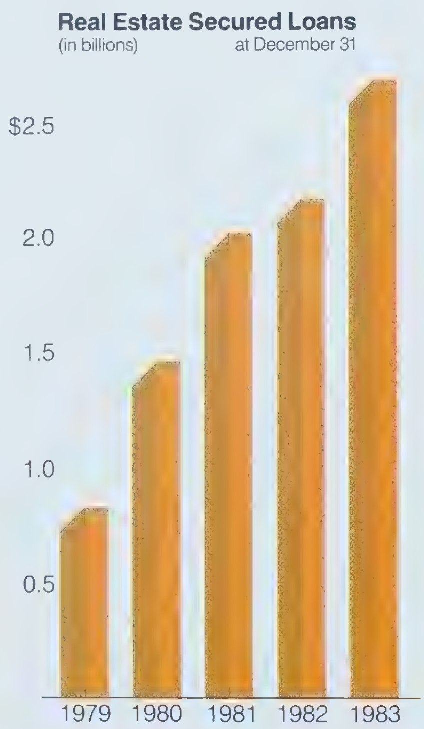
Reflecting the benefit of the sharp reductions in employee headcount effected both in the field and at headquarters during 1981 and 1982, salaries and employee benefits had fallen to 3.90% of receivables in 1982 from 4.35% in 1981. During 1983, despite modest additions to employee ranks in the credit card subsidiary and at headquarters, operating leverage from the excellent receivables gain allowed this percentage to decline to 3.70%. Other operating expenses, which include rent, advertising, telephone, travel, and all other operating costs, increased to 4.06% of receivables in 1983 from 3.89% a year earlier, entirely due to a doubling in advertising expenditures from 1982's very low level and reflecting a full year's costs from the new management company headquarters located in Peapack, New Jersey. Taken together, the operating efficiency ratio (the sum of the salaries and employee benefits and the other operating expenses ratios) was relatively well controlled at 7.76% in 1983 compared to 7.79% and 8.10% in 1982 and 1981 respectively. It should be noted that the 1981 calculation excludes the special $8.4 million provision for restructuring costs taken during that year.

Thus, driven by the good improvement in the gross spread, as well as the excellent credit quality experienced during the year, pretax operating income rose sharply to 3.66% of mean receivables in 1983, up from 2.77% in 1982 and an absolute low of 1.51% in 1981. After taxes, the CFG's net income return on average receivables was a highly creditable 2.15% in 1983.

Consumer Loan Delinquency
at December 31



Analysts



Receivables Portfolio Components

As noted above, consumer credit demand in the United States rebounded strongly in 1983. Beneficial's overall portfolio growth strengthened as the year progressed, with consecutive receivables gains of $8.4 million, $186.2 million, $205.3 million, and $228.1 million recorded in the four quarters of the year. For the full year Beneficial achieved a $628 million (14.8%) gain in the portfolio to $4.9 billion at December 31, 1983. The table below outlines recent year receivables growth by category of loan.

Growth was led by an excellent $524 million (24.0%) increase in real estate secured loans, which ended the year at $2.7 billion, or 55.4% of the total portfolio. Beneficial now ranks among America's largest second mortgage lenders (and is believed to be the very largest as to number of loans made in 1983). Credit card receivables also showed extraordinary growth, more than doubling to $472 million at year end. Unsecured personal loan receivables continued to decline, although the rate of decline slowed, and the run-off was essentially halted in the fourth quarter. Sales finance contracts reversed their recent years' decline. Leasing and commercial finance receivables declined modestly.

Real Estate Secured Loans

Real estate secured loans, chiefly second mortgages, continue to be Beneficial's key growth vehicle through the loan office network. From the viewpoints of both the borrower and the lender, it remains the most attractive way for the consumer to obtain substantial amounts of consumer credit. Clearly, the equity in a consumer's home allows the lender the security to extend a substantial loan at a rate that is noticeably lower than for an unsecured obligation.

Unlike some lenders, Beneficial is not a "hard money" lender: it does not lend solely against the collateral value of the house. Rather, Beneficial's second mortgages are made only to borrowers whose income and credit history fully support the loan. Essentially, they are well made unsecured loans based on the normal qualifications, but with the added benefit of the security interest in the borrower's home. And, needless to say, that security interest is an extremely powerful psychological influence on the borrower, prompting the borrower to repay this obligation in a timely manner, if at all possible.

Second mortgage lending is cost efficient. Incremental costs of making a real estate secured loan are relatively modest. Interview time, credit investigation, and

Principal of Finance Receivables

at December 31 (in millions)	1983	1982	1981	1980	1979
Real estate secured loans	$2,704	$2,180	$2,035	$1,470	$ 831
Personal loans	1,257	1,411	1,832	2,197	2,766
Bank credit card receivables	472	220	106	92	92
Sales finance contracts	218	184	241	326	475
Leasing and commercial finance receivables	233	261	232	168	100
Total	$4,884	$4,256	$4,446	$4,253	$4,264

processing are standard to any transaction. While some additional documentation is necessary for real estate lending, the major incremental expense is the cost of the independent real estate appraisal, which averages about $150 (and is, in most states, paid by the borrower). When these expenses are spread over numerically fewer but larger real estate secured loans, the operating costs per dollar loaned are much less than on small, unsecured obligations. Indicative of the size disparity, Beneficial's average real estate secured loan made was $16,403 in 1983 (up from $11,775 in 1982), while the average 1983 unsecured loan made was $1,823. Moreover, credit losses and delinquency on real estate loans are markedly less than on unsecured obligations.

While there is active competition for second mortgage obligations, particularly in the current environment of banks and thrifts flush with funds, the potential homeowner loan market is huge. Total unleveraged housing equity (market value minus related mortgage loans) in the United States is believed to exceed $3.0 trillion. Yet outstanding second mortgage loans are believed to be only about $35 billion. (Accurate statistics on total second mortgage loan outstandings in the United States are not available.) Also, despite the fact that Beneficial is one of America's very largest second mortgage lenders in terms of outstandings, the Company's number of loan accounts is only 151,345. Given that there are over 55 million homeowners in the United States, it is clear that there remains ample growth opportunities.

Credit Card Receivables

As indicated by the quadrupling of outstandings in just two years, Beneficial's other key growth lending market is bank credit card receivables. Credit card receivables are originated outside the loan office system through Beneficial National Bank (U.S.A.) and are discussed in a separate section on page 19 of this report.

Traditional Unsecured Lending Activities

Over the last few years Beneficial has sharply restricted its unsecured personal loan and sales finance activities. The liberal nature of the Federal Bankruptcy Act of 1978, which made it relatively easy and painless for a consumer to go bankrupt, had made most unsecured lending unattractive for Beneficial. Accordingly, the total of personal loans and sales finance outstandings was cut in half between 1979 and 1982.

In 1983 Beneficial again began to pursue growth in these categories, but subject to strict quality and minimum amount restrictions. Unsecured loans continue to be emphasized to homeowners who can be graduated up into a much larger real estate secured loan, but personal loans are also being made on a restricted basis to non-homeowners with very strong credit qualifications. Indicative of the size restrictions, the average personal loan made in the United States was $1,770 in 1983, up from $1,142 in 1979. Quality restrictions are reflected in stringent credit scoring cut-offs. While the lax Bankruptcy Act remains in effect, the fact is that the unsecured personal loan market also remains a large market that is badly served, creating an attractive opportunity. Naturally, attractiveness of the market is sharply magnified by both the higher yields and higher credit insurance penetration it offers relative to second mortgage lending. Subject to the tightened credit and size standards, and importantly aided by the strong improvement in the American consumer's overall economic health, Beneficial can once again address this market. Nevertheless, the tightness of the restrictions still disqualifies many potential borrowers, so that at best only modest net growth in the personal loan portfolio is anticipated in 1984.

A similar situation applies to sales finance activities, which consist of the purchase of consumer installment paper generated by various retailers and other consumer businesses. Sales finance activities are also under tight controls as to credit quality and size. Rigorous pricing requirements are also enforced. Yields on sales finance activities are a function of the rate charged the consumer, the immediate discount charged the selling retailer, and the dealer reserve. The average sales finance contract purchased was $684 in 1983, up sharply from $478 in 1979. Delinquency was lower than it has ever been in Beneficial's history. Given the excellent credit quality and the current size and yield requirements, sales finance activities are nicely profitable in their own right. Moreover, they remain extremely valuable as a source of new loan customers.

Revolving Credit Loans

Revolving loans, both unsecured and secured by a second mortgage, showed outstanding growth in 1983 with balances increasing to $408.3 million from $184.4 million a year earlier. Revolving loan programs involve establishing a pre-approved line of credit, accessible through checks issued to the consumer and drawn on Beneficial National Bank, our commercial banking subsidiary. Such programs are highly efficient from an operating expense control standpoint. Also, consumers particularly appreciate the convenience and flexibility of obtaining

an additional loan advance without having to visit the loan office to reapply. The fastest growing segment of the revolving credit portfolio is revolving homeowner loans, secured by a second mortgage on the borrower's home. Such loans have the lowest delinquency of any segment of the portfolio. Also, they are often written at a variable rate at a spread over the bank prime (generally prime plus 4%), allowing Beneficial to fund such loans with commercial paper borrowings quite profitably. Revolving credit appears to be a key growth area for the future, particularly for attracting more affluent customers.

Geographical Distribution

The CFG continued to wield a sharp pencil in assessing individual office profitability in 1983. Accordingly, a net of 97 offices were closed in 1983, reducing the worldwide office network to 1,347 from 1,444 at the end of 1982. As the table below illustrates, the total number of consumer finance offices has been almost cut in half from the 1979 peak. Over the same period total employment in the loan offices fell to 4,800 at December 31, 1983 from over 10,000 at the end of 1979.

U.S. marketing currently centers on 39 states offering combinations of reasonable regulation as to rate and method of operation, healthy economies, and sufficient market size to provide for economies of scale in operating costs. Thanks to favorable changes in regulation, the CFG was able to re-enter the state of Tennessee in 1983 after a two year absence. Conversely, operations in Michigan and Wisconsin were terminated.

U.S. operations are relatively concentrated, with California, far and away, the dominant state. Collectively, the ten largest states represent 74.1% of the U.S. total of $3.5 billion in loan office receivables.

Direct measures of operating efficiency in the loan office system continued to improve in 1983. Cash invested (net receivables) per employee, a key measure, increased sharply to $839,900 at December 31 from $708,500 at December 31, 1982. Cash invested per office increased to $3,030,000 from $2,565,000 at the end of 1982. Further good gains in these efficiency measures are anticipated in 1984.

Largest States

	Number of Offices	Principal of Receivables*	% of U.S. Total
California	169	$1,137.1	32.7%
Pennsylvania	104	280.7	8.1
Ohio	101	269.7	7.8
New York	86	259.7	7.5
Texas	76	166.3	4.8
New Jersey	40	138.4	4.0
Florida	38	118.0	3.4
Kansas	25	68.0	2.0
Indiana	27	67.2	1.9
N. Carolina	31	66.7	1.9

* In millions. Excludes bank credit card and leasing receivables.

Consumer Finance Offices

at December 31	1983	1982	1981	1980	1979
United States	1,068	1,152	1,461	1,898	2,047
Canada	102	112	137	159	178
Australia	88	88	101	114	105
United Kingdom	67	68	71	64	55
Japan	10	12	12	13	7
West Germany	7	7	7	7	6
New Zealand	4	3	3	2	1
Ireland	1	2	1	1	0
Total	1,347	1,444	1,793	2,258	2,399

International Operations

Internationally, as in the U.S., profitability of corporate commitments is being closely examined. As the facing table illustrates, foreign consumer finance receivables (as denominated in U.S. dollars) have increased moderately over the past five years. However, real growth has actually been substantially greater, but has been masked by the remarkable strength of the U.S. dollar versus other currencies, thereby mitigating strong receivables gains in the local currencies when translated into U.S. dollars. This phenomenon distorts the substantial loan growth that has occurred in the United Kingdom and New Zealand, particularly, over the past five years.

As denominated in dollars, foreign finance receivables increased to $722.7 million, or 14.8% of the total CFG portfolio at the end of 1983 from $631.5 million (also 14.8% of the total) a year earlier. In 1983 all foreign operations showed gains in their local currencies.

Not surprisingly, each country is a distinct market with its own characteristics. However, more than 51% of total foreign receivables represent real estate secured loans.

Naturally, each country is also distinct as to its current earnings and outlook. Even before foreign exchange considerations, profitability varies from country to country. The United Kingdom, particularly, and New Zealand earn the best rates of return in their local currencies, although

Foreign Finance Receivables

(in millions)	12/31/83	12/31/82	12/31/81	12/31/80	12/31/79
Canada	$277.7	$204.7	$231.1	$203.3	$227.0
Australia	209.5	206.5	234.6	183.1	155.4
United Kingdom	129.2	120.3	118.3	119.2	85.4
West Germany	59.7	63.8	64.0	74.2	90.7
New Zealand	27.4	18.2	14.5	9.5	4.7
Japan	13.5	12.4	14.3	8.7	2.7
Ireland	5.7	5.6	2.0	0.8	—
Total	$722.7	$631.5	$678.8	$598.8	$565.9

their local currencies have been extraordinarily weak against the U.S. dollar. Canadian operations are acceptably profitable. Australian and West German operations both earn sub-par returns. Japanese operations continue to develop disappointingly slowly, and are unprofitable.

Credit insurance earnings add a significant increment to the pure lending profits generated in several foreign countries. Moreover, there appears to be an excellent opportunity to increase credit insurance penetration as well as, importantly, to market a broader array of insurance products to the consumers in these affluent, largely middle-class countries. Accordingly, attractive opportunities for development of our overseas consumer financial services businesses remain, despite the fact that currently foreign operations, taken together, are less profitable than U.S. operations, even before foreign exchange considerations. Much work remains to be done to fulfill Beneficial's full potential in these countries.

Beneficial National Bank (U.S.A.)

Beneficial National Bank (U.S.A.), or BNB (U.S.A.), is Beneficial's primary bank credit card subsidiary. While accurate comparative statistics are not readily available, the Bank's credit card portfolio is believed to be the twelfth largest in the country. Receiving its national banking charter from the Comptroller of the Currency in May 1983, BNB (U.S.A.) immediately took over the bank credit card business previously conducted by two other Beneficial subsidiaries. As purely a consumer bank or "non-bank bank" as the terms are used, BNB (U.S.A.) is permitted to engage in a full range of banking services, except that it may not both accept demand deposits and grant commercial loans.

Beneficial's bank credit card business had another exceptional year in 1983. Credit card outstandings more than doubled to $472.4 million at December 31, 1983, up from $219.9 million at the end of 1982. Credit quality of the portfolio remains excellent, with loan delinquency percentages below bank credit card industry averages. In addition, the portfolio is extremely liquid, with monthly cash collections averaging more than 13.2% of outstandings.

Beneficial National Bank (U.S.A.)'s chief competition for card accounts comes from the major money center banks who are the large national issuers. However, Beneficial has a leading position among issuers of the new "premium" bank cards—the gold MasterCard card and the Premier Visa card. As this report goes to press BNB (U.S.A.) is believed to

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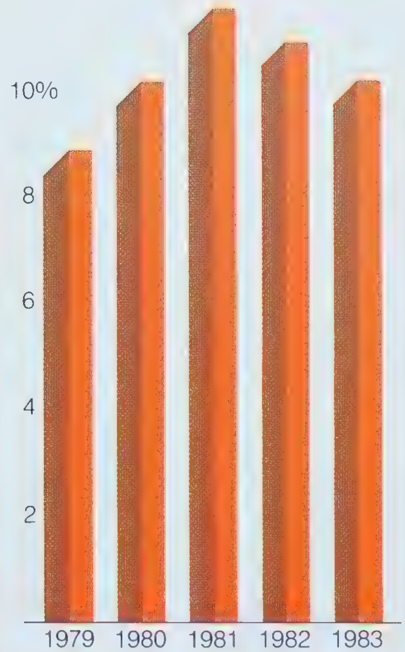
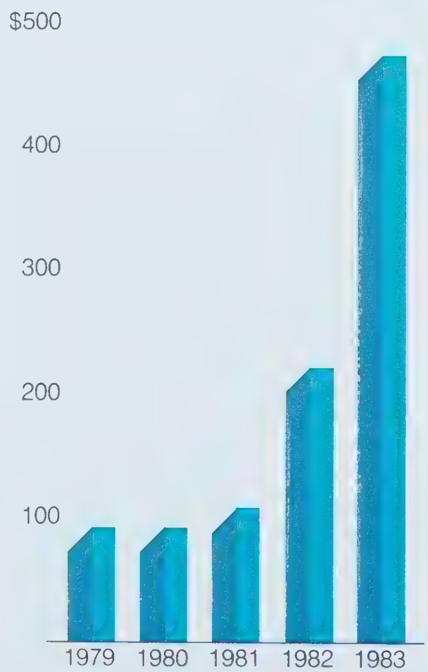
Average Worldwide Cost of Funds



Analysts

Bank Credit Card Receivables
(in millions) at December 31



be the nation's largest issuer of gold MasterCard cards and the third largest issuer of Premier Visa cards. These premium cards are designed to appeal to upscale consumers with incomes in excess of $40,000 per year, offering unsecured credit lines of $5,000 or more and a variety of travel and entertainment benefits. Pricing on premium card accounts is particularly attractive from a corporate funding perspective, as outstandings carry a variable interest rate of prime plus 4%, subject to a minimum of 18%, with a $1.50 monthly activity charge. Thus, significant pricing protection is afforded on the upside should short-term interest rates spike upwards. At year end 47% of the Bank's outstandings were in premium card accounts, with 53% in standard, fixed rate cards. Rates of charge on the standard card business, which actually consists of several distinct portfolios, range from 18% to 21%, generally with the same $1.50 per month monthly activity fee. An advantage of the Bank's location in Wilmington, Delaware is the pronounced pricing flexibility afforded under Delaware laws. Reflecting the total of all interest charges and fees, BNB (U.S.A.) enjoyed an excellent 22.9% gross yield on its receivables portfolio in 1983.

Along with generating excellent internal growth through sophisticated advertising and direct mail solicitation, the Bank continues to pursue acquisitions of bank credit card portfolios of regional banks. During 1983 the acquisitions of the $11 million portfolio of the City National Bank of Beverly Hills, California and the $13 million portfolio of Nevada National Bank of Reno were completed. Acquisition efforts are aided by the fact that the highly automated nature of credit card processing makes it a business whose profitability benefits dramatically from economies of scale. Thus, divestiture may prove attractive to banks who do not foresee themselves soon crossing the approximate $100 million critical mass threshold. Similarly, bulk purchases are extremely helpful to BNB (U.S.A.)'s own expense ratios. Along with substantial expense ratio improvements garnered from the Bank's excellent growth in 1983, several fundamental efficiency-improving operating changes were also implemented in 1983, with further significant internal improvement scheduled for 1984 and 1985. BNB (U.S.A.)'s ratio of operating expenses (excluding advertising) to mean receivables averaged 4.6% in 1983, and this ratio is expected to move lower in 1984 and 1985.

While the prime value of Beneficial National Bank (U.S.A.) is its excellent profitability, a key strategic value of the Bank is that it provides Beneficial Corporation with an entree to a steadily growing array of upscale customers (currently more than 550,000), many of whom have quite high incomes. On average, income levels of the Bank's credit card customers are noticeably higher than those of the customers of the Beneficial loan office system. Moreover, the entree to these upscale customers is in the highly cost efficient direct mail mode. Clearly, opportunities to market to these customers a broader array of other financial services such as insurance products and deposits are intriguing, yet still largely unexploited. Over a longer time horizon, asset management products, among other financial services, are additional possibilities. However, initially looking at BENICO insurance products alone, potential cross-selling opportunities appear enormous. In short, Beneficial National Bank

(U.S.A.) provides Beneficial Corporation with a highly profitable, cost effective means of providing a wide range of financial services to high quality consumers nationwide without costly in-person contact. As such, it is a key strategic asset.

Continued excellent growth in both receivables and profits is anticipated for BNB (U.S.A.) in 1984 and future years.

Credit Loss Experience—Condition of the Portfolio

Beneficial's credit loss experience improved dramatically in 1983. As indicated in the table below, gross finance receivables charged off, net of recoveries, fell to 1.73% of average gross receivables outstanding from an unacceptably high 2.45% in 1982. Improvement in consumer credit loss experience was even greater than initially apparent, since the consolidated percentage includes a substantial increase in writeoffs from Beneficial's small commercial finance business. Improvement in consumer loss experience was recorded virtually across the board, including real estate secured loans, bank credit card receivables, unsecured personal loans, and sales finance obligations. The most dramatic improvement occurred in real estate secured lending after a blip upward in losses during 1982. Also, writeoffs due to consumer bankruptcy declined to $18.6 million from $36.2 million in 1982. It should be noted that over the 1980-83 period Beneficial sustained almost $135 million in losses due to consumer bankruptcy.

Management is most gratified by the sharp increase in recoveries of previously charged off accounts to a record $22.5 million (21.2% of gross chargeoffs) from $16.1 million (12.3% of gross chargeoffs) in 1982. Historically, Beneficial's recoveries have generally run in the range of 8-13% of gross chargeoffs. 1983's exceptionally high recoveries reflect our aggressive chargeoff policy over the prior few years, and corroborate the fact that we attempted to be extremely conservative in recognizing potential loan losses during 1982.

Loan delinquency percentages also showed sharp improvement in 1983, with consumer loan receivables more than two months delinquent plummeting to 0.97% at December 31, down sharply from 1.37% at the end of 1982 and the peak level of 1.62% reached at the end of 1981. Including all delinquency measures, overall consumer loan delinquency for Beneficial Corporation is at its lowest level since at least the early 1960's.

Reflecting this substantial near-term improvement in credit quality measures and the secular trend of the portfolio's evolution towards greater percentages of inherently higher quality real estate secured and bank credit card receivables, Beneficial has resumed its previous policy of gradual reduction in the reserve for credit losses as a percentage of receivables. In addition, rather than provide clearly excessive amounts for credit losses on new loans made, Beneficial has started (beginning with the fourth quarter of 1983) to provide reserves at more realistic rates on net receivable growth. The

Credit Quality Measures

(amounts in millions)

			Finance Receivables Charged Off (a)		Reserve for Credit Losses at End of Year		
Year	Provision for Credit Losses (a)	Gross Amount of Receivables Charged Off	Net Chargeoffs	% of Average Gross Finance Receivables	Amount	% of Finance Receivables at End of Year (b)	Consumer Loan Receivables More Than Two Months Delinquent (c)
1983	$103.0	$106.1	$ 83.6	1.73%	$205.4	4.21%	0.97%
1982	114.9	130.4	114.3	2.45	188.3	4.42	1.37
1981	108.3	120.0	106.6	2.17	196.5	4.42	1.62
1980	107.2	124.7	114.7	2.34	194.8	4.58	1.57
1979	102.4	81.8	73.2	1.87	203.7	4.78	1.26
1978	70.9	59.0	51.1	1.57	147.8	4.90	1.15
1977	65.7	55.8	48.5	1.74	126.3	5.00	1.08
1976	60.4	54.8	48.4	2.04	106.3	5.10	1.19
1975	54.8	57.2	51.8	2.42	95.0	5.20	1.29

(a) Less offsetting recoveries.
(b) After deducting unearned finance charges.
(c) Excludes bank credit card receivables.

overall percentage, which had been held at 4.42% for two years, was 4.21% at December 31, 1983. At this level the reserve remains among the most conservative in the consumer credit industry, both relative to outstanding receivables and net chargeoffs. At its year end level, the reserve covers 1983 net chargeoffs 2.5 times, an extremely conservative ratio by any yardstick. Most major banking industry competitors maintain their consumer loan loss reserve at a level only slightly in excess of most recent year losses. Steady reductions of the excess in the reserve percentage are anticipated in each quarter of 1984.

While Beneficial is far from immune from national economic influences, the broad geographical dispersion of the portfolio among over 2 million consumers across North America and in six overseas countries gives the portfolio the characteristics of a broad, relatively predictable, actuarial base.

Management anticipates continuing improvement in net chargeoff experience during 1984.

Beneficial National Bank

Beneficial National Bank (BNB) is Beneficial Corporation's commercial banking subsidiary. Based in Wilmington, Delaware with seven branches throughout the state, BNB conducts a full service commercial banking operation, with emphasis on commercial lending in its local and regional market. While still an insignificant factor relative to its local market and to the Corporation as a whole, Beneficial National Bank's average assets increased markedly to $68.5 million in 1983 from $48.2 million in 1982.

Ownership of a full service commercial bank affords Beneficial Corporation unique opportunities for cash management savings, as well as providing other banking services such as deposit accounts, wire transfers, etc. within the corporate group.

Leasing and Commercial Finance Group

Reflecting a relatively high level of delinquency and net chargeoffs, Leasing and Commercial Finance Group activities were sharply restricted in 1983. Net receivables of the Group declined to $232.7 million at year end from $261.0 million at the end of 1982. While the leveraged leasing portfolio remains clean and quite profitable, the commercial finance and smaller ticket, non-tax oriented leasing portfolios are troubled by a high level of delinquent and nonperforming loans. However, substantial provisions were made against these exposures in 1983, so that a reduced net loss is expected from the Group in 1984.

Substantial run-off in the commercial finance portfolios is anticipated in 1984, but some cautious growth in leveraged leasing outstandings is possible after three years of inactivity. The substantial recovery in Beneficial Corporation's profitability has once again created a favorable tax posture which permits the aftertax returns from leveraged leasing transactions to become attractive.

Beneficial Mortgage Corporation

Beneficial Mortgage Corporation commenced operations in January of 1983 in Wilmington, Delaware and quickly established itself as a significant presence in the Delaware and southeastern Pennsylvania mortgage market. Despite its extremely short time of operation, the subsidiary is profitable, and was already servicing a portfolio of $14.3 million in first mortgage loans at year end.

Plans call for Beneficial to test in 1984 the theoretically huge potential of the Consumer Finance Group to originate first mortgage loans in the over 1,000 domestic loan offices. Given favorable results of the test, mortgage banking could become a significant business for Beneficial. Clearly, attractiveness of the business is dependent on operating only as a true mortgage banker—immediately selling the loans to quasi-Federal agencies or other institutional investors and only maintaining servicing of the portfolio. Needless to say, size is essential to profitability in this narrow margin business.

Tax Service

Beneficial's Income Tax Service, which operates in both the United States and Canada, had an excellent year in 1983 led by the outstanding profitability of the Canadian tax discounting operations. In Canada, regulations allow the granting of an immediate loan against the future receipt of a tax refund due the consumer. U.S. tax preparation activities were relatively flat in 1983, with revenues little changed from 1982. Under the trade name "Tax Masters," the U.S. tax service operates in Beneficial loan offices and other independent financial institutions such as banks and savings and loans, as well as in selected retailers.

BENICO

BENICO, the Beneficial Insurance Group, had a quite disappointing year in 1983. Net income fell 18.0% to $18.2 million from a restated $22.2 million in 1982. Continuing high loss ratios in property and casualty reinsurance lines were the chief drag on earnings performance, as they were on depressed 1982

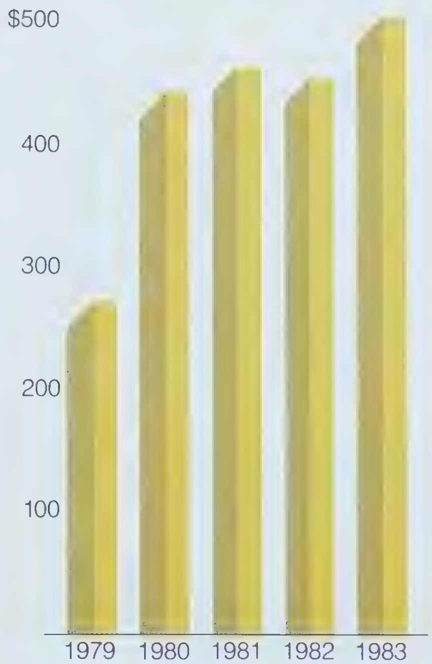
results as well. During the year, BENICO's flagship property and casualty subsidiary, American Centennial Insurance Company (ACIC), terminated the contracts of its several managing general agents which have produced the bulk of reinsurance premiums written, and have been, disproportionately, the source of ACIC's losses. However, adverse loss development on the business previously written (the underwriting "tail"), continues to be a problem.

Nevertheless, it should be noted that ACIC top management (as well as top management of all of BENICO) has been substantially reorganized over the past year and a half. Experienced professionals are now in place in the key functional areas. ACIC's new premium production in property and casualty reinsurance lines has been dramatically reduced, reflecting BENICO's view of the continuing unacceptable level of pricing prevailing in the industry. Finally, of prime importance, ACIC has purchased stop loss reinsurance coverage which should mitigate losses sustained on the P&C reinsurance now in force, although no dramatic recovery in property and casualty profitability should be anticipated immediately. However, it would appear that downside risk has now been substantially reduced.

BENICO's primary thrust continues to be in the highly specialized consumer credit insurance market where the Group ranks among the industry leaders. BENICO is a full line credit insurance writer, offering credit life, accident and health, and property insurance—all related to consumer credit transactions. Loss ratios on credit insurance are relatively predictable, generating strong profitability in virtually any general underwriting climate (including 1983).

BENICO's Western National Life subsidiary, based in Amarillo, Texas, is a major writer of annuity contracts specializing in structured settlement annuities (generally related to the settlement of large disability injury claims). Western National ranks among the industry leaders in the structured settlement business, and premium production has expanded dramatically. Western National's total premiums written have more than tripled to $201.4 million in 1983 from $65.3 million in 1981, with almost all of the growth occurring in structured settlements. Western National's prime marketing advantages in the business are its financial strength (rated A+ by *Best's Insurance Reports*), its close relationships with the major agency producers, and, perhaps most important, its underwriting expertise. Each structured settlement annuity is different, requiring a specialized computer program to assemble the quote and, oftentimes, requiring sophisticated underwriting talents to assess "sub-standard" risks. Western National's strengths in these areas often enable it to produce quotes significantly faster than several of its major competitors. Western National is also a major writer of conventional single premium deferred annuities (none sold through stock brokers), with a particularly strong position in the marketing of tax-deferred annuities to schoolteachers through payroll deduction plans. The company also sells a moderate amount of life insurance, chiefly in term coverages. Western National's net income increased sharply to $7.8 million in 1983 from $3.3 million in 1982. Reflecting its outstanding growth, Western's assets

BENICO—Written Premiums
(in millions)



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totaled $588.1 million at December 31, up from $309.0 million two years ago. Western National now represents more than 34% of BENICO's total assets.

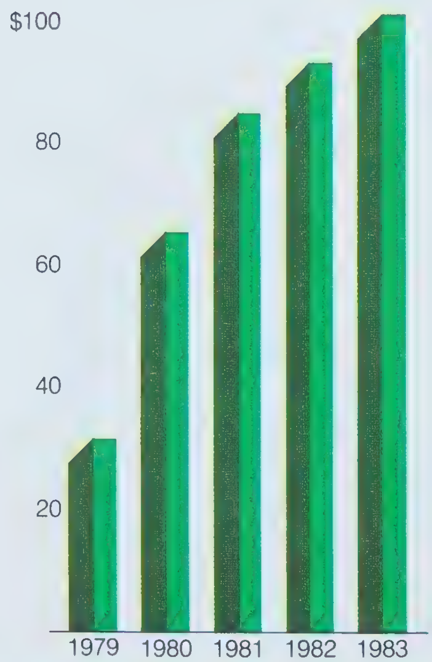
BENICO's flagship credit life insurance company is The Central National Life Insurance Company of Omaha, which is administered out of BENICO's headquarters in Peapack, New Jersey. Central National is the Group's chief writer of credit life and credit disability coverages as well as a reinsurer of significant amounts of single premium deferred annuities and an issuer of modest amounts of ordinary life coverages. The Group's third substantial life company is Northwestern Security Life Insurance Company, located in Wilkesboro, North Carolina. Northwestern Security has a strong position in the marketing of credit insurance to banks and auto dealers, primarily in the southeastern United States, and also writes increasing amounts of ordinary life and annuity coverages.

BENICO's key overseas companies are Beneficial International Insurance Company of Hamilton, Bermuda and Consolidated Marine & General Insurance Company Ltd. and Consolidated Life Assurance Company Ltd., both located in London, England. Beneficial International, while accepting very little new business directly, continues to be valuable as a vehicle to reinsure the credit insurance written by certain of Beneficial's foreign loan offices with the reserves invested in a tax-deferred environment. Consolidated Marine & General and Consolidated Life are continuing to write the Beneficial credit insurance in Great Britain and are developing a growing roster of profitable outside credit insurance accounts as well.

After a particularly slack 1982, BENICO's credit insurance premiums written began to recover in 1983 as consumer credit activity in the United States rebounded. Thus, despite the declining writings in property and casualty reinsurance, BENICO's overall premiums written increased 11.6% to $505.7 million from $453.2 million in 1982, led by the increase in Western National Life's volume.

Credit insurance premiums written in connection with loans made by Beneficial's Consumer Finance Group decreased 5.7% to $62.5 million from $66.3 million in 1982. Nevertheless, the Beneficial Consumer Finance Group is BENICO's largest and most profitable account. The CFG represented 13.3% of BENICO's total premium revenue in 1983, down from 15.9% in 1982. However, the proportional contribution to net income was significantly greater, reflecting the marketing

BENICO Investment Income
(in millions)



Written Premiums—Lines of Business

(in millions)

	1983	1982	1981
Life	$124.1	$ 83.4	$ 81.7
Annuities	244.2	211.3	200.4
Accident & Health	46.6	47.9	71.4
Property & Liability	90.8	110.6	110.4
TOTAL	$505.7	$453.2	$463.9

BENICO Investment Portfolio

(in millions) at December 31	1983	% Total	1982	%. Total	1981	% Total
U. S. Government Securities	$ 241.4	20.3%	$ 260.4	24.2%	$150.1	16.0%
Municipal Bonds	312.8	26.3	311.4	28.8	310.0	33.0
Foreign Government and Agency Obligations	41.8	3.5	31.7	2.9	37.7	4.0
Corporate Bonds	198.7	16.7	170.1	15.7	151.1	16.1
Preferred Stocks	54.7	4.6	49.1	4.5	45.5	4.8
Common Stocks	59.6	5.0	40.3	3.7	42.3	4.5
Policy Loans	15.2	1.3	14.9	1.4	14.5	1.5
Mortgages	135.4	11.4	96.1	8.9	92.6	9.9
Real Estate	9.0	0.8	13.4	1.2	10.6	1.1
Short-Term Holdings*	120.6	10.1	94.6	8.7	85.4	9.1
Total	$1,189.2	100.0%	$1,082.0	100.0%	$939.8	100.0%

*Chiefly commercial paper and certificates of deposit.

economies inherent in distributing products through the wholly-owned office network as well as relatively modest loss ratios.

Reflecting improved marketing efforts to outside accounts as well as the general recovery in consumer credit volume, independent creditor credit insurance premiums written increased a robust 77.0% to $48.5 million from $27.4 million in 1982. Consumer loan operations of commercial banks, thrift institutions, finance companies, automobile dealers and distributors, and other retailers all represent attractive opportunities to leverage BENICO's established products and expertise in the credit insurance market.

Investment Activities

The cornerstone of BENICO's strength continues to be its large, conservatively-invested investment portfolio, which produces a significant, stable flow of investment income. In 1983 pretax investment earnings increased 8.2% to $101.2 million from $93.5 million in 1982. Reflecting lower interest rates in 1983 as compared to 1982, the average gross investment yield for the year decreased to 9.07% from 9.85% in 1982. Nevertheless, the realized yield is quite acceptable given the fact that 26.3% of the portfolio is invested in tax-free municipal bonds. Additionally, realized net aftertax capital gains increased to $3.5 million from $3.2 million in 1982.

As indicated in the accompianying table, the $1.2 billion portfolio is chiefly invested in high quality, fixed income obligations to provide the stable investment return referenced above. Mortgage lending activities, which are centered in Western National Life, experienced particularly significant growth in 1983 reflecting the high yields available and the duration matching qualities of mortgages versus long-term annuity reserves. Western National's mortgage portfolio is concentrated in commercial mortgages secured by full coverage leases of substantial, "A" rated or better national companies. BENICO also maintains a substantial commitment to U.S. Government securities. A high degree of liquidity in commercial paper and bank certificates of deposit continues to be maintained as well.

BENICO has a modest investment in real estate development activities. In September groundbreaking ceremonies took place in Tampa, Florida for Phase I of Harbour Island, a joint venture between BENICO's Harbour Island Inc. subsidiary and Lincoln Property Company of Dallas, Texas, one of America's largest developers of commercial real estate. Harbour Island is a 177 acre island located immediately south of the downtown Tampa business district. Phase I of the project will include a 9-story, 196,000 square foot office building, a 300 room luxury hotel and 90,000 square feet of specialty retail space. Completion is expected by mid-1985. The total cost of Phase I will be approximately $100 million. Construction and permanent financing is being provided by Mellon Bank, N.A. Subsidiaries of Harbour Island Inc. will participate in the development of Phase I as limited partners, with Lincoln Property Company serving as the general partner. Also included in the early

stage of the island's development (but not part of Phase I) are 550 residential condominium units, which are scheduled for completion by mid-1986.

It is expected that the total Harbour Island project will be developed in four phases over a period of approximately 12 to 15 years and will consist of 4,650 residential condominium units, the hotel, 250,000 square feet of retail space, and 1,000,000 square feet of office space. Beneficial's limited investment in the project is expected to result in significant returns, given the outstanding potential of the specific site and of the Tampa area generally.

BENICO's Strategic Position

As was true in 1982, the BENICO Group continues to be in a process of transition. Consumer credit insurance remains the basic engine of profitability, and active efforts continue to maximize the profitability of BENICO's strong position in the business, both with the in-house Beneficial business and outside accounts. New products are being developed to increase credit insurance penetration on larger real estate secured loans, to date a glaring area of weakness for the Group. Largely through its Western National Life subsidiary, the Group's excellent position in the annuity market will continue to be nurtured and developed. As mentioned previously, non-credit-related property and casualty reinsurance activities are now under tight controls.

BENICO's full potential and long-term promise continues unfulfilled. The Group's continuing challenge is to expand beyond the confines of traditional credit-related insurance products to sell a broad variety of ordinary, personal lines insurance products to the two million strong Beneficial customer base, as well as to become the premier provider of insurance products sold through other financial institutions. With ample capital, and not encumbered by the marketing restrictions of an agency system, BENICO has all the potential to take full advantage of these marketing opportunities. Specifically, as the demographics of the Beneficial customer base continue to improve year-by-year, BENICO's failure to exploit this extraordinary opportunity becomes more and more distressing. BENICO's new management team now has these goals and their basic mission clearly in sight, with active efforts underway to begin to realize the Insurance Group's continuing extraordinary potential.

Western Auto Supply Company

Western Auto Supply Company made substantial progress in its long-term turnaround in 1983. Net income increased 23.0% to $15.5 million from $12.6 million in 1982, as net sales and other revenue rose a healthy 8.4% to $650.3 million. The sales increase is particularly noteworthy as it marks Western's first overall sales improvement since 1979.

Earnings included $4.5 million in aftertax special items: $3.7 million in gains on the sale of real estate and $0.8 million in net gains on the repurchase of debentures. Similar special items totaled $5.5 million in 1982. Accordingly, Western's true operating earnings increased 55% to $11.0 million from $7.1 million in 1982. Subsidiary corporations Midland International and Eva Gabor International made proportionate contributions to the profit increase.

Western's healthy participation in 1983's nationwide rebound in retail sales trends is a key sign of the revitalization of the company. While the economic recovery was certainly a significant factor in the sales improvement, the most important element was the strong increase in the sales of automotive supplies resulting from Western's redirection of its marketing and business plan toward the automotive aftermarket. Benefiting from this thrust, total company-owned store sales rose 9.1% to $165.4 million from $151.5 million in 1982. Also, after several years of substantial declines, the number of company-owned stores stabilized at 216, down only slightly from 227 at the end of 1982. Consumer demand also strengthened in the dealer network, and wholesale merchandise sales increased 7.6% to $395.0 million from $367.1 million in 1982 despite a continuing reduction in the number of active dealers to 2,340 at year end 1983 from 2,554 at December 31, 1982. Western Auto's average sales per dealer improved 16% as Western continues its program of pruning marginal associate stores.

Re-positioning of the company-owned store network accelerated in 1983 as 56 stores were converted to the automotive supermarket concept, bringing the total of converted stores to 105. Conversion of these units to a well-defined merchandising format from their former unfocused, general hard goods formats has resulted in outstanding sales increases. Conversion is effected on a regional market-by-market basis to maximize advertising and promotional efficiency. Twenty markets have now been con-

verted. Noteworthy is the fact that Western's bottom line is currently absorbing the substantial one-time store conversion and advertising costs related to this program. Significantly improved retail store profitability is anticipated in future years as the converted stores mature and reach their full potential. By the end of 1984 most of Western's remaining company stores will have been converted to automotive supermarkets. Also, forty new store locations are planned to open in 1984 to improve the coverage in the 43 targeted markets.

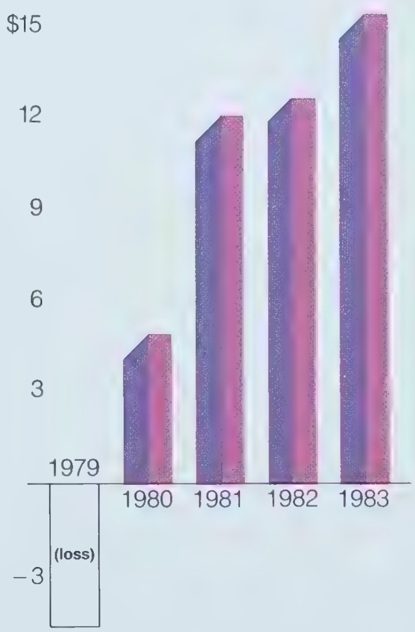
Transfer of this automotive marketing expertise to the independent associate store network is key to the long-term success of the company. Associate stores are being encouraged to adopt an automotive-dominant format, while maintaining some commitment to other merchandise lines in their generally less competitive rural markets. During 1983, 82 associate stores adopted the new marketing plan for automotive supplies with excellent sales increases generated. Perhaps more important were the optimistic qualitative responses and strong commitments received from the participating dealers. Stimulated by this program as well as substantial improvements in the overall relationship, "word is out" in the dealer network that Western is once again a company with strong forward momentum.

A key factor that has helped maintain Western's operating profitability in the face of substantial expenditures on the refocusing of the whole merchandising thrust has been the substantial improvement in operating efficiency instituted over the past few years. Despite the significant conversion costs, Western's total selling and administrative expense fell from $141.0 million (18.8% of revenues) in 1979 to $105.5 million (16.2% of revenues) in 1983. Consolidation of the distribution center network has contributed substantially to increased operating efficiency, as well as generating significant capital gains on the sale of unnecessary centers. Western now operates six distribution centers, down from 10 in 1980. Further improvements are contemplated through further consolidations into fewer but larger and more automated distribution centers.

1983 was a watershed year for Western Auto—a year in which both sales and earnings progress were reestablished. In addition, a new spirit of positive momentum and optimism is spreading throughout the employee ranks and the dealer network, fostered by Western's successful repositioning of stores and improved merchandising and sales promotion programs along with further systems enhancements. While Western Auto must still be considered to be in a turnaround phase, the company has logical and well-defined operating and strategic plans for the future, and a revitalized, new vigor. The potential opportunity in the huge, highly fragmented automotive supply market appears outstanding. While competition for that opportunity is active, Western is no longer a passive weak-sister, but is rapidly becoming a potent competitor in its own right. Beneficial Corporation is optimistic about Western Auto's future. 1984 will mark the 75th anniversary of Western Auto and will be a key year to lay the groundwork for Western becoming the nation's dominant marketer of automotive supplies to the "do-it-yourself" consumer.

Analysts

Western Auto Net Income
(in millions)



CUSTOMERS

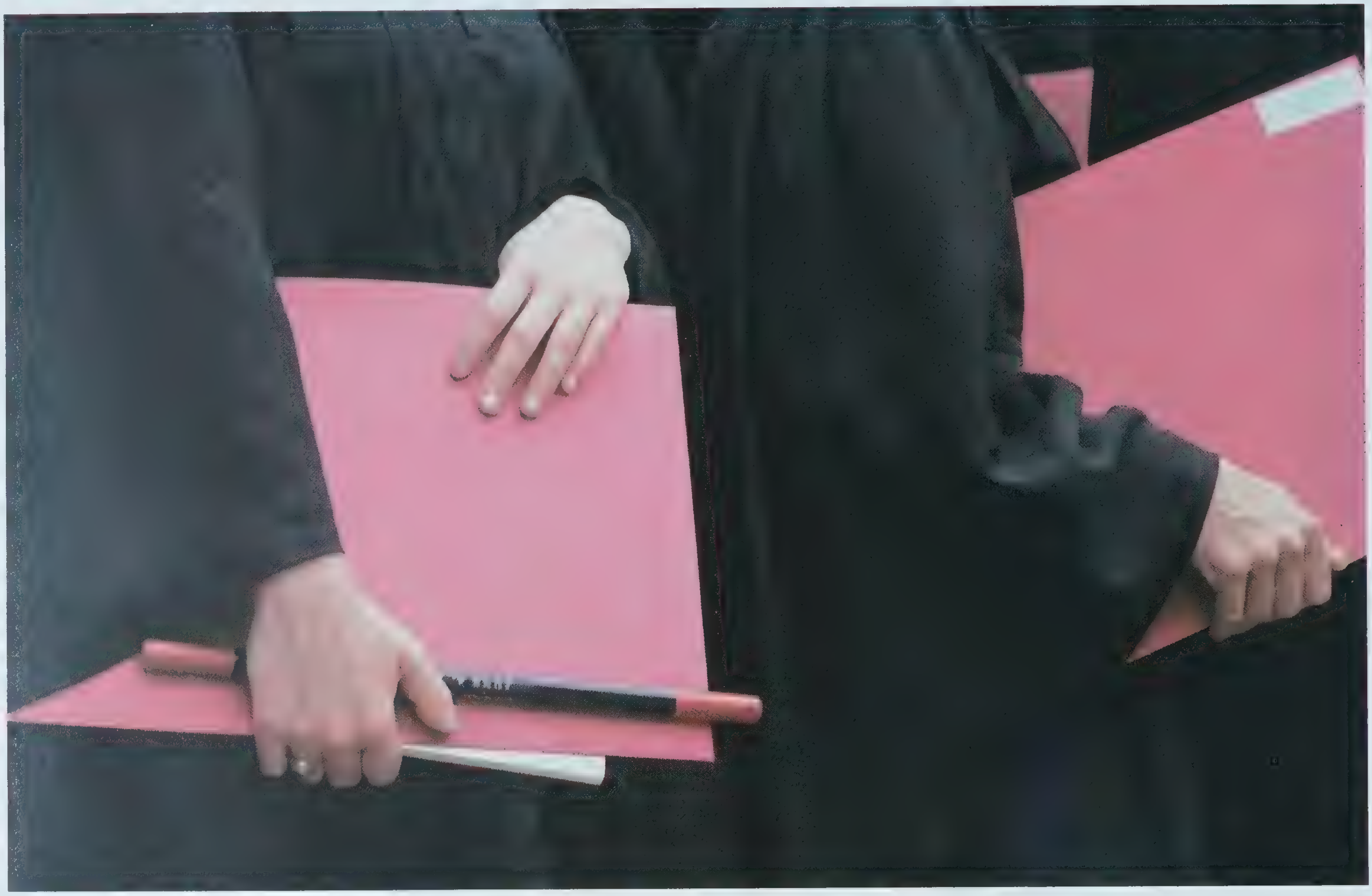
☐ *Beneficial ranks among the world's leading providers of financial services to individuals and to families.*

☐ *More than 4,000 people obtain a Beneficial loan every working day of the year.*

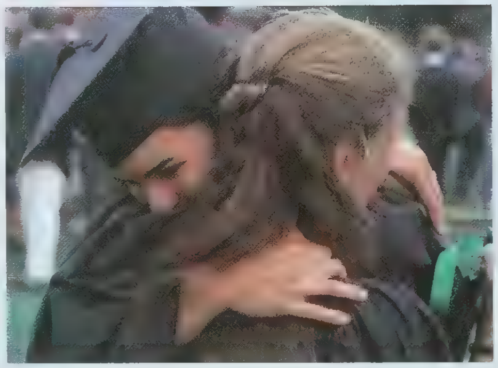
☐ *Through Beneficial National Bank (U.S.A.), the Company is reaching new affluent customers as one of the country's largest and fastest growing issuers of premium bank credit cards.*

☐ *The BENICO group of insurance companies protects Beneficial borrowers and the customers of other lending institutions with a full line of credit insurance coverages.*

☐ *Increasingly, consumers are looking to Western Auto for high quality at low prices and convenience in automotive supplies.*



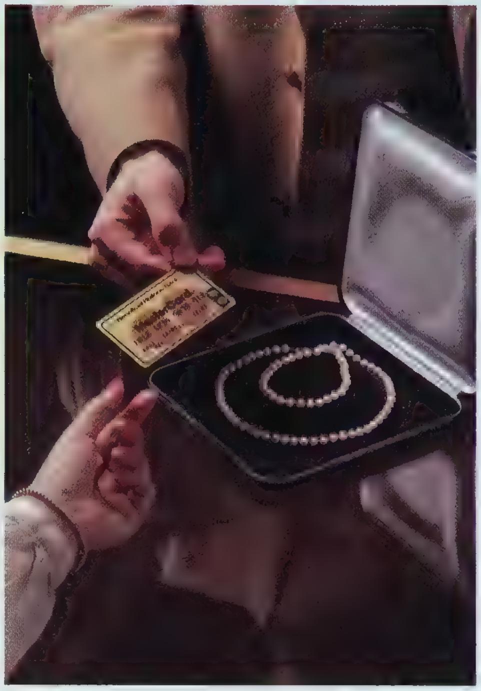
Beneficial has one goal: to be a leading provider of credit and ancillary services to individuals and to families. The way our customers perceive us, the variety of services we provide for them, and the manner in which those services are delivered are all critical to attaining that goal. In the process our customers are able to realize their own goals



for education, for housing, for financial security.

More than 4,000 people obtain a Beneficial loan every working day of the year. It happens in the more than 1,300 consumer finance offices in the United States and around the world. Oftentimes, it happens in the form of instant cash through Beneficial's highly successful Triple-A Checking plan. Increasingly, it happens in the form of second mortgages to the growing number of qualified homeowners.

The Company's full-service commercial bank, Beneficial National Bank in Wilmington, Delaware, offers a complete range of commercial bank deposit and lending services. It serves consumers as well as a wide variety of commercial and business customers.



Beneficial's bank credit card subsidiary, Beneficial National Bank (U.S.A.), reaches high-income consumers as one of America's leading issuers of the gold MasterCard card and the Premier Visa card. Our consumer bank is one of the country's largest and fastest growing issuers of these new premium credit cards, and through them we are reaching a new market of more affluent customers. More than 550,000 consumers now carry Beneficial National Bank (U.S.A.) credit cards. Over time, we plan to market additional financial services to these cardholders.

Beneficial also provides consumers with high quality at low prices and convenience in automotive supplies. The name customers look for is Western Auto—one of America's leading hard goods retailers. Innovation in the field of "automotive supermarkets" is making Western Auto a potent factor in the huge "do-it-yourself" automotive aftermarket. Western Auto serves consumers through 216 company-owned stores and 2,340 independently-owned associate stores nationwide. Western's greatest strength is in the rapidly-growing southern tier "Sunbelt" of the United States.

Through the BENICO group of insurance companies, thousands provide for their own retirement with carefully planned, high-yielding annuities. BENICO also writes a full line of credit insurance coverages, offering credit life, accident and health, and property insurance—all related to consumer credit transactions. These coverages are offered through Beneficial offices and through other lending institutions of all kinds.

EMPLOYEES

☐ *Beneficial's corporate culture is changing to meet the new challenges of the marketplace.*

☐ *The traditional expertise of Beneficial's people is coupled with a modern outlook, a commitment to long-term success.*

☐ *Top people at Beneficial get top rewards through performance-based incentives. In return, they have to prove they are the best by producing the best.*

☐ *Promotion from within is an important factor in the structure at Beneficial, but the Company's search for the best ranges well beyond its own ranks.*

☐ *Beneficial people are motivated to be inquisitive, to be receptive to new ideas, and to make them work.*

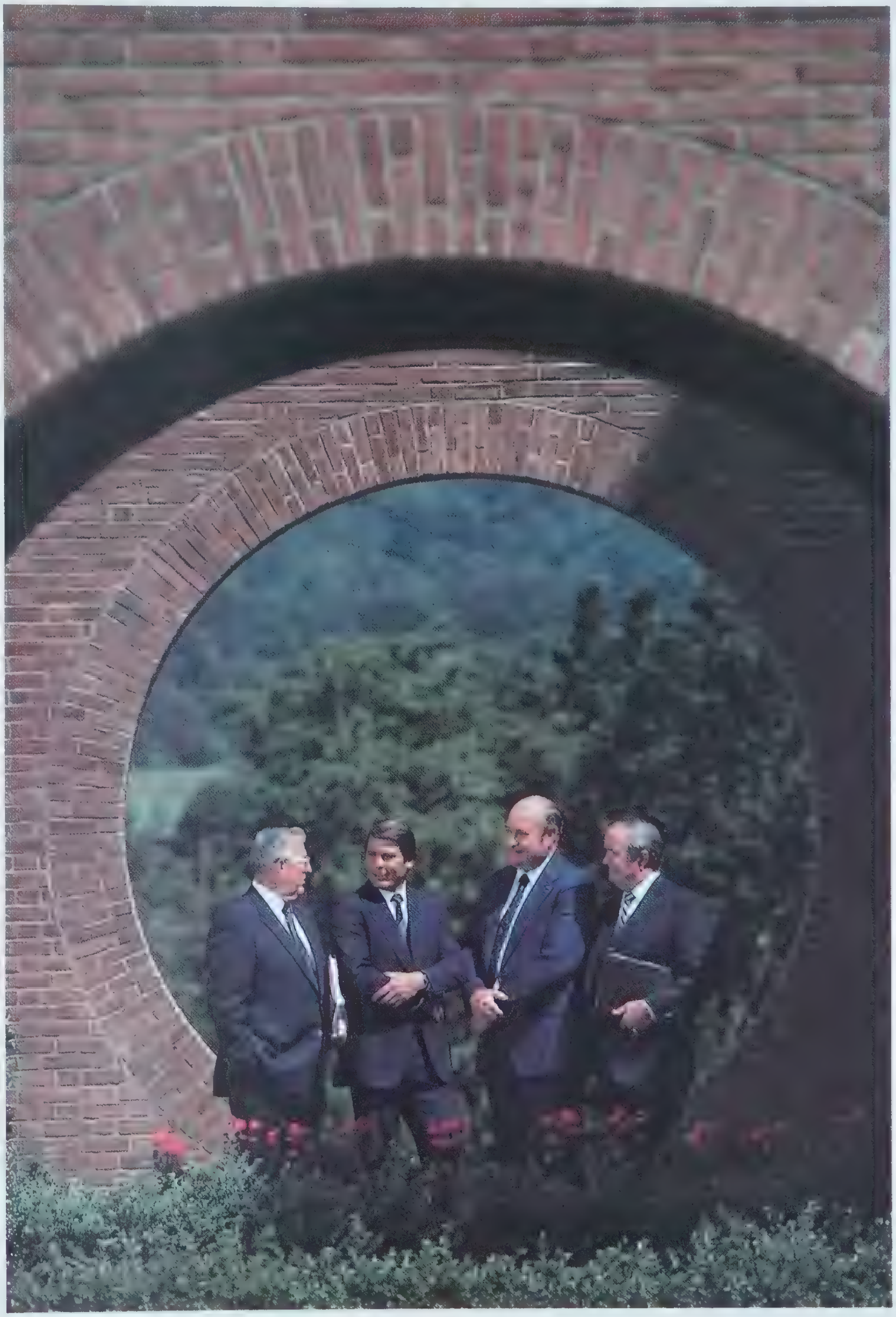
(Left to right) Robert E. Styles, Senior Vice President-Operating; Claire D. Rochat, Assistant Vice President-Product Development; Lawrence Cole, Jr., Assistant Vice President.

One of the key ingredients in making 1983 a record year for Beneficial is people. Over the years, the Company has had a strong reputation in the consumer finance industry for the high quality of its executives and the esprit de corps of its employees. Over those years, the marketplace has changed, and Beneficial's corporate culture is changing to meet the new challenges. But what hasn't changed is an attitude that welcomes change and uses it to stimulate new ideas and to create new approaches.

(Above) Anthony A. Cairo, Vice President-Product Management/Sales Finance.

(Left) Dennis J. Amichetti, Vice President-Marketing, Beneficial National Bank (U.S.A.).

But what is a "typical" Beneficial employee? There is no such thing, but statistically they are relatively well-educated and young, yet with significant experience in the business. But statistics don't tell the whole story. They know they are the best in the business and respond with the extra effort it takes to produce the best. They are committed to long-term success, not just for themselves, but for the Company.



(Left to right) Forrest B. Kinney, President-Gulf Coast Group; Manfred E. Niebisch, President-Canadian Group; Charles L. Rounsavall, President-Midsouth Group; George B. Brush, President-Northeast Group.

Beneficial's over 13,000 employees know that their performance is not only noticed, but rewarded. Performance-based incentive programs allow the most successful employees to rank among the best-compensated professionals in the field. They know very well that being paid the best also means they must produce the best.

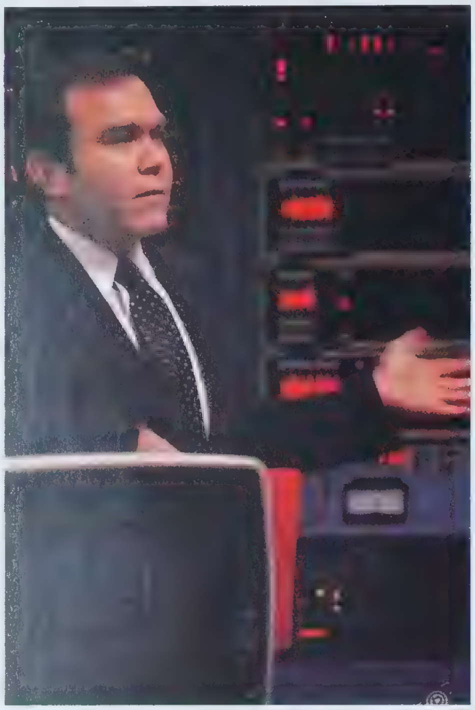
(Above, left to right) Murray W. Wilson, President-Australian Group; Daniel Wilczek, President-Pennsylvania Group; Ronald E. Schoen; James R. Warehime, President-North Central Group.

(Left) Bruce R. Purple, Assistant to the Marketing Director.

(Above) Gary J. Perkinson, Vice President-Government Relations.

(Left, facing camera) Jeffrey D. Robinson, Vice President-Planning, Beneficial National Bank (U.S.A.).

At Beneficial, promotion based on merit has been a fact-of-life from the very beginning. And although the Company's search for seasoned professionals ranges far beyond its own ranks, over half the current management team has earned their place by working for it within the Company. Everyone at Beneficial is made aware that their own personal growth is important to the growth of the Company and that there is room for everyone to grow. Above the entry level, employee turnover is exceedingly low. But employees also know that success at Beneficial means a great deal more than just putting in time.



Beneficial people are motivated to be more inquisitive, to be receptive to new concepts. Better still, they are encouraged to have new ideas and to make them work. They learn to profit from mistakes, both their own and those of others. An open mind is an important asset at Beneficial.

(Above) Edward J. Kerwan, President, Beneficial Data Processing Corporation.

(Right, left to right) Peter J. Gimino, Jr., President-Southwest Group; Pierre E. Bashe, President-Northwest Group; John France, President-United Kingdom Group; J. Gaetan Helms.

There's an openness of style at Beneficial, an attitude that looks more to the future than to the past. Chairman Finn M.W. Caspersen summed it up recently at the Company's Executive Conference. "I would rather have you try and fail than never try at all," he said. "Those who are to succeed in Beneficial will tell you how it is— not how you want it to be. There's a big difference." And that's just one of the things that makes the difference at Beneficial.

(Above) James L. Arpin, President-Midwest Group; Anthony T. Yesenofski, President-Beneficial Business Credit; James L. Frans, President-Southern Group.

(Left) Ted R. Arrowood, Vice President-Marketing, BENICO.

FINANCIAL SECTION

Beneficial Corporation and Consolidated Subsidiaries

Balance Sheet

(in millions) December 31	1983	1982
Assets		
Cash (includes compensating balances of $14.7 and $17.7)	$ 22.1	$ 47.6
Finance Receivables	5,237.3	4,630.9
Less Unearned Finance Charges	(353.0)	(374.6)
Principal of Finance Receivables (Note 4)	4,884.3	4,256.3
Less Reserve for Credit Losses	(205.4)	(188.3)
Insurance Policy and Claim Reserves (applicable to finance receivables)	(123.7)	(128.9)
Net Finance Receivables	4,555.2	3,939.1
Net Receivables Acquired From Merchandising Division (Note 5)	54.1	82.0
Investments (Note 6)	1,309.9	1,286.5
Equity in Net Assets of Merchandising Division (Page 63)	184.5	183.0
Property and Equipment (at cost, less accumulated depreciation of $36.8 and $29.6)	98.3	102.3
Other Assets (Note 7)	492.2	422.5
Total	$6,716.3	$6,063.0
Liabilities and Shareholders' Equity		
Short-Term Debt (Note 8)		
U.S. Currency	$ 306.8	$ 265.5
Foreign Currencies	202.8	166.5
	509.6	432.0
Deposits Payable (includes employee thrift deposits)	230.5	223.6
Accounts Payable and Accrued Liabilities (Note 9)	318.6	317.3
Insurance Policy and Claim Reserves (applicable to risks other than finance receivables)	862.9	620.9
Long-Term Debt (Note 10)	3,841.7	3,558.9
Total Liabilities	5,763.3	5,152.7
Redeemable Preferred Stock (Note 12)	125.0	125.0
Other Preferred Stock (Note 11)	115.8	116.1
Common Stock (60.0 shares authorized, 22.3 and 22.2 shares issued and outstanding) (Note 11)	22.3	22.2
Additional Capital (Note 10)	63.3	62.5
Net Unrealized Loss on Equity Securities (Note 6)	(12.7)	(13.7)
Accumulated Foreign Currency Translation Adjustments (Note 2)	(15.9)	(12.6)
Retained Earnings (Note 10)	655.2	610.8
Total	$6,716.3	$6,063.0

See Notes to Financial Statements.

Statement of Income and Retained Earnings

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1983	1982	(in millions)	1983	1982	1981
		Finance Division			
$420.8	$391.7	**Revenue**	$1,581.9	$1,497.6	$1,509.9
		Expenses			
104.6	96.0	Interest (Note 1g)	390.3	418.0	458.7
43.1	38.8	Salaries and Employee Benefits	179.4	179.0	201.9
25.9	37.1	Provision for Credit Losses (less recoveries)	103.0	114.9	108.3
147.2	159.0	Insurance Benefits and Policy Reserve Increase	482.7	422.8	386.7
71.5	66.3	Other	262.4	238.1	232.6
392.3	397.2	Total	1,417.8	1,372.8	1,388.2
28.5	(5.5)	**Operating Income (Loss)**	164.1	124.8	121.7
—	—	Provision for Restructuring Costs (Note 14)	—	—	(8.4)
—	—	Foreign Exchange Gain (Loss) (Note 1e)	—	—	(3.2)
28.5	(5.5)	**Income (Loss) Before Income Taxes**	164.1	124.8	110.1
1.8	(6.8)	Provision for Income Taxes (Note 15)	49.8	38.4	42.5
26.7	1.3	**Income From Finance Division**	114.3	86.4	67.6
5.4	5.1	**Income From Merchandising Division**	15.5	12.6	12.0
		Corporate Expense, After Income Taxes (Note 1f)			
(1.4)	(1.4)	Administrative	(5.9)	(5.7)	(5.7)
(4.8)	(5.3)	Interest	(18.3)	(15.0)	(7.2)
25.9	(.3)	**Income (Loss) From Continuing Operations**	105.6	78.3	66.7
		Discontinued Operations, After Income Taxes (Note 3)			
—	—	Income (Loss)	—	(25.3)	(21.8)
—	—	Interest Expense Related to Investment	—	(5.9)	(11.9)
—	—	Gain (Loss) on Disposal	—	(78.5)	(40.7)
—	—	**Loss From Discontinued Operations**	—	(109.7)	(74.4)
25.9	(.3)	**Net Income (Loss)**	105.6	(31.4)	(7.7)
644.0	625.9	Retained Earnings, Beginning of Period	610.8	703.1	771.8
14.7	14.8	Dividends Paid	61.2	60.9	61.0
$655.2	$610.8	**Retained Earnings, End of Period**	$ 655.2	$ 610.8	$ 703.1
		Earnings Per Common Share (Note 1i)			
$ .97	$ (.21)	Continuing Operations	$ 3.96	$ 2.73	$ 2.22
—	—	Discontinued Operations	—	(4.90)	(3.33)
$ .97	$ (.21)	Net Income (Loss)	$ 3.96	$ (2.17)	$ (1.11)
$ 21.7	$ (4.7)	Earnings (Loss) Available for Common Shares	$ 88.6	$ (48.5)	$ (24.7)
22.4	22.4	Average Outstanding Shares	22.4	22.4	22.3
$ .50	$ .50	**Dividends Per Common Share**	$ 2.00	$ 2.00	$ 2.00

See Notes to Financial Statements.

Beneficial Corporation and Consolidated Subsidiaries

Management's Discussion and Analysis of Financial Condition and Results of Operations
(amounts in millions)

Introduction

The year 1983 was a period of strong profitability and growth for Beneficial Corporation. Finance Division earnings showed significant gains due to record earnings of the Consumer Finance Group (CFG), which were partially offset by a decline in Insurance Group results. CFG profits increased 49.7% due largely to higher gross margins, improved credit quality of the portfolio and increased bank credit card fees. The receivable portfolio grew $628 comprised principally of gains of $524 in real estate secured loans and $252 in credit card receivables and a decrease of $154 in other personal loans. Real estate secured loans represented 55% of the portfolio at December 31, 1983. Insurance results were impacted by the run-off of Beneficial's unsecured receivables (which generate higher insurance penetration than real estate secured loans) and by continuing high loss ratios in property and casualty reinsurance lines. Early indications are that insurance profitability will continue under pressure, and while quarterly insurance earnings in 1984 are not expected to decline from the fourth quarter 1983 level, first and second quarter insurance results may well be below the levels in the corresponding 1983 periods.

The year 1982 reflected improved operating performance for the CFG as compared to 1981. The improvement resulted from wider lending spreads as a result of lower borrowing costs and improved operating efficiency due to closing 350 offices during the year. While the total portfolio declined, real estate secured loans grew $145 and represented 51% of the portfolio at December 31, 1982. The Insurance Group reported a substantial decline in earnings resulting from a special pretax provision of $30.0 for property and casualty loss reserve strengthening and potential insolvencies of unaffiliated reinsurers. In addition, Insurance earnings continued to suffer from the CFG's emphasis on real estate secured loans (which have a low insurance penetration) and from the run-off in unsecured receivables. Beneficial's 1982 results reflected the sale of First Texas Financial Corporation, the Company's Savings and Loan Division, at an aftertax loss of $78.5.

In 1981 management ceased lending operations in certain states with unattractive lending environments, and remaining operations in two states were sold. Over 450 loan offices were closed or consolidated during the year. The Company provided $8.4 for restructuring costs related both to employee severance and to losses on the sale of lending operations in the two states. Real estate secured loans continued to grow, increasing $565 during the year, and accounted for 46% of the portfolio at December 31, 1981. Results for 1981 reflected a $40.7 aftertax loss on the sale of Spiegel, Inc., a merchandising subsidiary.

Results of Operations

Finance Division revenue increased modestly in 1983 and was relatively flat for the two years ending December 31, 1982. CFG finance charges and fees remained relatively constant from 1981 through 1983. Despite a 5% growth in average outstandings, finance charges and fees increased only 1% in 1983 because of the increasing proportion of lower-yielding real estate loans in the portfolio and lower rates of charge. In 1982 finance charges and fees decreased slightly faster than the decline in average receivables. In 1982, rates of charge had been increased, more than offsetting the effect of the changing composition of the portfolio. The annual percentage rate of finance charges and fees collected was 20.53%, 21.25%, and 20.88% in 1983, 1982, and 1981, respectively. Other revenues of the CFG were up roughly 50% in 1983 compared to both 1982 and 1981 due largely to increased tax service income and bank credit card fee income. Insurance premium revenue increased $54.4 or 12.2% in 1983 (after minor decreases in 1982 and 1981) due primarily to higher annuity and life writings offset somewhat by lower property and casualty writings. During the year management terminated the contracts of two major managing general agents, which produced the majority of property and casualty reinsurance premiums written. While business non-affiliated with CFG accounted for 88%, 85% and 80% of total premiums written in 1983, 1982 and 1981, respectively, Beneficial loan-related coverage represents a large percentage of the Insurance Group's net income, reflecting the marketing economies inherent in distributing products through the consumer finance system network. Insurance investment income continued its growth in 1983 reaching $101.2 compared to $93.5 and $85.3 in 1982 and 1981, respectively. Average gross investment yields were 9.07%, 9.85%, and 10.04% in 1983, 1982 and 1981, respectively. The decline in these yields was more than offset by higher levels of investments.

Interest expense decreased 6.6% in 1983 and 8.9% in 1982 as the overall interest rate on borrowings fell from 11.53% in 1981 to 10.88% in 1982 and to 10.16% in 1983. The preponderance of the 1983 decline and one-half of the 1982 decrease resulted from lower average interest rates with the remainder due to reduced borrowings. In 1981 interest expense increased 16% from the preceding year with only 8% of the increase due to additional borrowings and the remaining 92% due to higher interest rates. Salaries and employee benefits were flat in 1983 (as in 1981), after decreasing 11.3% in 1982. The decline in 1982 reflects the benefit of the restructuring of operating units and headquarters operations in 1982 and 1981, which resulted in sharp reductions in employees.

The provision for credit losses decreased 10.4% in 1983, compared to 1982, due to improved credit quality and the changed composition of the portfolio. The provision for credit losses increased slightly in 1982 and remained level in 1981. Charge-offs as a percentage of finance receivables were 1.73%, 2.45% and 2.17% in 1983, 1982 and 1981, respectively. The percentage of loan balances more than two months delinquent improved substantially to .97% at December 31, 1983, down from 1.37% at the end of 1982 and 1.62% at the end of 1981.

The growth in insurance benefits and policy reserve increase was 14.2%, 9.3% and 2.3% in 1983, 1982 and 1981, respectively. Insurance benefits paid and accrued in 1983 were substantially less than 1982 but were more than offset by significant increases in ordinary life insurance and annuity policy reserves resulting from a marked increase in premium writings for those lines of business. The loss ratio for property and casualty lines increased somewhat over 1982, while the accident and health loss ratio decreased appreciably. The increase in insurance benefits in 1982 reflects the $30.0 special pretax provision previously discussed.

The provision for income taxes represented 30.3%, 30.8% and 38.6% of Finance Division income in 1983, 1982 and 1981, respectively. Each percentage is lower than the U.S. statutory tax rate of 46% principally because of a lower effective tax rate for the insurance operations, as well as from filing a consolidated tax return with the Savings and Loan Division in 1982 and 1981. (See Note 15 on page 56).

Income from the Finance Division increased 32.3% and 27.8% in 1983 and 1982, respectively, and declined 35.7% in 1981. The increases in 1983 and 1982 reflect sharply improved earnings of the CFG, offset in part by lower earnings of the Insurance Group.

The depressed results for the Finance Division in 1981 reflect the higher cost of borrowing, the provision for restructuring costs discussed above, and a $7.1 aftertax foreign exchange loss.

Merchandising Division net income increased 23.0% in 1983 on an increase in sales of 8.4%, and increased 5.0% in 1982 and 150.0% in 1981 despite declining sales in both of those years. 1983 earnings benefited from $4.5 in aftertax gains from the sale of a warehouse facility, sale of warehouse leases, and debenture repurchases. The income improvement in 1982 was due to the inclusion of $5.5 in aftertax gains on the disposal of distribution centers and the repurchase of debentures. The income improvement in 1981 stems from decreases in variable costs and salary expense.

Capital Resources and Liquidity

The Company's major internal source of funds is the principal collections of finance receivables from customers. As a percentage of average monthly balances, cash principal collections increased to 4.22% in 1983 reflecting prepayments of higher rate real estate loans and sharply lower delinquency. The percentage of monthly cash principal collections to average monthly balances was 3.64% and 3.85% for 1982 and 1981, respectively. The decrease in 1982 as compared to 1981 resulted from the trend to longer contractual maturities resulting primarily from the higher proportion of real estate secured loans. Due to regular cash collections and the Company's substantial access to worldwide credit sources, the Company has strong liquidity.

Short-term debt is used to fund variable rate assets and to provide flexibility in financing operations on a day-to-day basis. Total short-term debt (including consumer deposits) was 16.1% and 15.6% of total debt at December 31, 1983 and 1982, respectively, while it represented 26.7% at the end of 1981. The dramatic reduction in short-term debt in 1982 was the result of Beneficial's effort to reduce the Company's susceptibility to the impact of volatile interest rates. Commercial paper and bank lines of credit represent the primary source of short-term funds for the Company. The Company maintains unused bank line coverage equal to at least 100% of commercial paper obligations. At December 31, 1983 the unused portion of bank lines of credit ($689.6), was almost 2.9 times commercial paper outstanding.

The Company relies heavily on the issuance of long-term debt to finance its operations. One of the Company's major financial strengths is its ability to raise long-term debt in a wide variety of domestic and international markets. In addition, the Company continues to have access to short-term debt through the issuance of commercial paper and from bank lines of credit.

In January of 1982 the Company received approximately $50.0 in proceeds from the sale of Spiegel, Inc. In June of 1982 the Company sold for $134.4 and then leased back an office complex in Peapack, New Jersey.

The Company's debt to equity ratio was 4.81 to 1 at December 31, 1983, 4.63 to 1 at December 31, 1982, 4.57 to 1 at December 31, 1981 and 3.93 to 1 at December 31, 1980. For 1983 the higher leverage resulted from increased borrowings to support increased finance receivables. For 1982 the higher ratio was caused by the decrease in equity from the loss on the sale of First Texas. In 1981 the higher leverage was attributable to the loss from the sale of Spiegel and to increased borrowings to support increased finance receivables.

The ratio of earnings to fixed charges (based on income from continuing operations) was 1.30 to 1 in 1983, 1.22 to 1 in 1982, and 1.18 to 1 in 1981. The improvement of the ratio in 1983 and 1982 was the result of lower interest rates and improved operating efficiency. The ratio decline in 1981 from 1.30 to 1 in 1980 was due to the rise in interest rates and increased leverage during 1981.

The Merchandising Division finances its operations largely through the sale of consumer receivables to Beneficial and cash flow from operations.

Further information on the Finance Division is in the Financing Section on page13, the CFG Section on page14, and the BENICO Section on page 22.

Supplementary Financial Data Adjusted for General Inflation is on page 59.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Merchandising Division is on page 65.

Beneficial Corporation and Consolidated Subsidiaries

Statement of Changes in Financial Position

(Unaudited) Three Months Ended December 31 1983	1982	(in millions)	Years Ended December 31 1983	1982	1981
		Source of Funds			
$ 25.9	$ (.3)	Income (Loss) From Continuing Operations	$ 105.6	$ 78.3	$ 66.7
		Non-Cash Charges (Credits) to Income			
31.3	41.3	Provision for Credit Losses (before recoveries)	125.5	131.0	121.6
(3.3)	(23.9)	Increase (Decrease) in Unpaid Expenses	15.0	(6.9)	24.0
93.3	101.6	Increase in Insurance Reserves	236.8	127.6	64.7
7.5	9.2	Depreciation and Amortization	32.4	34.3	27.0
—	—	Unrealized Foreign Exchange Loss	—	—	5.6
(2.7)	2.8	Provision for Deferred Income Taxes	18.6	8.0	42.8
8.8	(5.0)	Equity in (Earnings) Deficit of Non-Consolidated Subsidiaries, After Deducting Dividends	(1.5)	(12.1)	(5.3)
160.8	125.7	Funds Provided by Continuing Operations	532.4	360.2	347.1
1.8	6.3	Proceeds From Sale of and Decrease in Advances to Discontinued Operations	15.4	76.7	4.6
—	—	Proceeds From Sale of Property	—	134.4	—
282.5	8.6	Long-Term Debt Issued	538.3	421.3	204.7
(57.6)	165.2	Increase (Decrease) in Short-Term Debt	79.6	(612.4)	296.8
(32.2)	(6.2)	Increase (Decrease) in Accounts Payable	(32.3)	8.2	(26.5)
(1.5)	14.0	Increase (Decrease) in Deposits Payable	6.9	40.6	21.3
(43.0)	(9.6)	Other—Net	(48.7)	38.3	(94.7)
$310.8	$304.0		$1,091.6	$ 467.3	$753.3
		Application of Funds			
$263.4	$ 81.7	Increase (Decrease) in Principal of Finance Receivables (before charge-offs and foreign currency fluctuations)	$ 776.1	$ 5.6	$352.8
(12.6)	6.3	Increase (Decrease) in Net Receivables Acquired From Merchandising Division	(27.9)	(41.6)	5.3
25.6	95.6	Increase (Decrease) in Investments (at carrying amount)	22.4	182.1	89.2
2.0	(.5)	Additions to (Retirements of) Property and Equipment	7.5	52.2	76.8
17.7	106.1	Long-Term Debt Paid	252.3	208.1	168.2
		Dividends on Capital Stock			
3.7	3.8	Preferred	17.1	17.2	17.2
11.0	11.0	Common	44.1	43.7	43.8
$310.8	$304.0		$1,091.6	$ 467.3	$753.3

See Notes to Financial Statements.

Notes to Financial Statements
(amounts in millions)

1. Summary of Significant Accounting Principles and Practices

a) Basis of Consolidation. The consolidated financial statements include, after inter-company eliminations, the accounts of all significant subsidiaries except the Merchandising Division (Western Auto Supply Company and subsidiaries), which is accounted for under the equity method, and discontinued operations. Financial statements for the Merchandising Division are presented on pages 63-69.

Certain prior period amounts, principally insurance revenues, have been reclassified to conform with the 1983 presentation.

b) Finance Operations. The financial statements, except for consumer finance revenue, are prepared on the accrual basis.

Unearned finance charges generally are taken into income as earned and collected under the sum-of-the-digits method. Income from interest-bearing direct cash loans is taken into income as collected.

Receivables considered to be uncollectible or to require disproportionate collection costs are charged to the reserve for credit losses, but collection efforts are generally continued.

c) Insurance Operations. Insurance subsidiaries are engaged primarily in writing credit life, credit accident and health, property and liability insurance and annuities.

Premiums on credit life insurance are taken into income on the sum-of-the-digits method when the insured amounts decrease with collections, or on the straight-line method over the lives of the policies in the case of level-term contracts. Premiums on credit accident and health contracts are generally taken into income on an average of the sum-of-the-digits and the straight-line methods. Property and liability premiums are taken into income on the straight-line method.

Insurance policy acquisition costs are deferred and amortized over the lives of the policies in relation to premium revenue.

d) Valuation of Investments. Debt securities are carried at amortized cost. Equity securities (substantially all marketable) are generally carried at market value. Other investments are carried at cost. The adjustment of the carrying amount of marketable equity securities from cost to market value is not reflected in the income statement but is recorded directly in shareholders' equity through a valuation allowance.

e) Translation of Foreign Currencies. Effective January 1, 1982, the Company changed its method of accounting for foreign currency translation to comply with Financial Accounting Standard (FAS) No. 52, Foreign Currency Translation. Under the Standard the effects on the Company of translating foreign currencies into the reporting currency are no longer included in net income but are accumulated in the balance sheet as a separate component of shareholders' equity. Prior periods have not been restated and are presented in conformity with FAS No. 8, under which all gains or losses from translation of foreign currencies are included in the determination of net income.

f) Corporate Expense. Corporate expense, which consists of administrative expenses related to general corporate activities and interest expense related to the investment in certain businesses, has been removed from the Finance Division, specifically the Consumer Finance Group segment, and is presented separately, as these costs are common expenses not applicable to a particular division or group. Corporate expenses are shown net of related income tax effects of $20.4, $17.5 and $11.0 in 1983, 1982 and 1981, respectively.

g) Interest Expense. Total interest costs incurred amounted to $424.1 in 1983, $464.3 in 1982 and $505.9 in 1981, including interest of $.1, $7.9 and $11.8 being capitalized on qualifying assets.

h) Amortization of Excess Cost of Net Assets Acquired. Excess cost applicable to acquisitions before November 1, 1970 is not being amortized. Excess cost applicable to subsequent acquisitions is being amortized over 40 years.

i) Earnings Per Common Share. Earnings per common share is computed on the basis of average shares outstanding and their equivalents after deducting dividend requirements on preferred stocks. None of the preferred stocks are common stock equivalents.

2. Change in Accounting Principle

Beginning January 1, 1982, the Company has reported translation of foreign currencies under FAS No. 52. All assets and liabilities in foreign currencies are translated at the market rate at each balance sheet date. Foreign operating results are translated at the average market rate for each period covered by the statement of income.

Beneficial Corporation and Consolidated Subsidiaries
Notes to Financial Statements *(continued)*
(amounts in millions)

An analysis of changes in accumulated foreign currency translation adjustments follows:

December 31	1983	1982
Balance at Beginning of Year	$(12.6)	$ —
Adjustments for the Year	(3.3)	(12.6)
Balance at End of Year	$(15.9)	$(12.6)

3. Discontinued Operations

The sale of the Company's wholly-owned Savings and Loan Division to unaffiliated third parties for $14.0 of notes was recorded as of August 31, 1982. The transaction, completed on November 3, 1982, resulted in a loss on disposal of $78.5 (after an income tax benefit of $10.8), $3.51 per share. The loss on disposal and the loss from operations prior to August 31, 1982 are included in discontinued operations in the income statement.

The sale of Spiegel, Inc. for approximately $50.0 was recorded as of August 31, 1981. The transaction, completed on January 6, 1982, resulted in an aftertax loss on disposal of $40.7 (after income taxes of $9.9), $1.83 per share. Under the terms of the agreement, Fairfax Family Fund, Inc., a wholly-owned subsidiary of Spiegel, was dividended to Beneficial. Fairfax, whose activities are limited to collection of outstanding receivables, is being liquidated; accordingly, the estimated loss on disposition and its results of operations through August 31, 1981 are included with Spiegel's losses on disposal and operations through August 31, 1981 in discontinued operations.

Interest expense related to the investments in discontinued operations is shown net of related income tax effects of $5.0 in 1982 and $10.1 in 1981.

Combined operating results relating to discontinued operations are as follows:

	1982	1981
Revenue	$163.5	$472.2
Income (Loss) Before Income Taxes	(37.0)	(33.0)
Income Tax Benefits	(11.7)	(11.2)
Net Income (Loss)	(25.3)	(21.8)

4. Finance Receivables

The principal of finance receivables and maximum term (in months from origination) are as follows:

	Amount		Maximum Term	
December 31	1983	1982	1983	1982
			(months)	
Real Estate Secured Loans	$2,704	$2,180	180	180
Other Loans	1,257	1,411	120	120
Bank Credit Card Receivables	472	220	60	60
Sales Finance Contracts	218	184	60	60
Lease and Commercial Finance Receivables	233	261	300	300
Total Principal of Finance Receivables	$4,884	$4,256		

Scheduled contractual payments of finance receivables to be received after December 31, 1983 are as follows:

	1984	1985	1986	1987	Beyond
Real Estate Secured Loans	19%	14%	14%	14%	39%
Other Loans	45	29	15	6	5
Bank Credit Card Receivables	20	17	15	12	36
Sales Finance Contracts	61	24	8	4	3
Lease and Commercial Finance Receivables	15	14	9	6	56
Total	27	19	14	11	29

The above tabulation of scheduled contractual payments is not a forecast of collections. Collections of principal of finance receivables amounted to $2,244.2 for 1983 and $1,867.3 for 1982.

The percentage of monthly cash principal collections to average monthly balances was 4.22% for 1983 and 3.64% for 1982.

5. Net Receivables Acquired From Merchandising Division

Customer receivables of Western Auto retail and associate stores are purchased, with recourse, from Western Auto, which maintains the reserve for credit losses applicable to these receivables. The accounts had a weighted average maturity of 9 months at December 31, 1983.

6. Investments

Investments are principally Insurance Group long-term investments. Equity securities had a cost of $127.1 at December 31, 1983 and $106.7 at December 31, 1982.

Investments consist of the following:

December 31	1983		1982	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Debt Securities				
Certificates of Deposit	$ 116.6	$ 116.6	$ 137.6	$ 137.6
Commercial Paper	60.5	60.5	84.5	84.5
U.S. Government Obligations	244.6	240.4	267.5	269.4
Foreign Government and Agency Obligations	74.7	68.9	64.6	59.4
Municipal Bonds	314.7	230.4	313.3	229.5
Convertible Bonds	3.7	3.3	5.0	4.4
Non-Convertible Bonds	216.9	206.4	192.4	186.0
Other	150.6	150.5	111.0	111.0
	1,182.3	1,077.0	1,175.9	1,081.8
Equity Securities				
Preferred Stocks	54.7	54.7	52.6	52.6
Common Stocks	59.7	59.7	40.4	40.4
	114.4	114.4	93.0	93.0
Other	13.2	13.2	17.6	17.6
Total Investments	$1,309.9	$1,204.6	$1,286.5	$1,192.4

Net unrealized loss on equity securities is as follows:

December 31	1983	1982
Unrealized Losses	$(18.9)	$(18.3)
Less Unrealized Gains	6.2	4.6
Net Unrealized Loss	$(12.7)	$(13.7)

Realized gains and losses are determined on the specific cost identification basis and are not material.

7. Other Assets

December 31	1983	1982
Accounts and Notes Receivable	$ 30.9	$ 12.2
Accrued Interest on Investments	25.8	21.6
Excess Cost of Net Assets Acquired	78.8	81.4
Insurance Premiums Receivable	121.3	67.0
Investments in and Advances to Discontinued Operations	17.6	33.0
Prepaid Expenses	23.7	21.6
Property Acquired by Foreclosure	9.8	13.3
Receivable From Merchandising Division	29.6	14.8
Recoverable Income Taxes	—	27.5
Unamortized Insurance Policy Acquisition Costs	77.4	70.1
Unamortized Long-Term Debt Expense	22.0	25.2
Other	55.3	34.8
Total Other Assets	$492.2	$422.5

The portion of excess cost of net assets acquired being amortized at December 31, 1983 and 1982 is $53.7 and $55.8.

8. Short-Term Debt

December 31	1983	1982
Banks	$270.7	$238.1
Commercial Paper	238.9	193.9
Total Short-Term Debt	$509.6	$432.0

Bank lines of credit are as follows:

December 31	1983	1982
Loans	$270.7	$238.1
Unused Portion	689.6	701.1
Total Bank Lines	$960.3	$939.2

During 1983 and 1982, compensating balance requirements generally were 5% on one-half of the bank line of credit with a ⅜% per annum fee on the remainder.

Beneficial Corporation and Consolidated Subsidiaries
Notes to Financial Statements *(continued)*
(amounts in millions)

The weighted average annual interest rates (excluding the effect of compensating balances) and additional data for short-term debt are as follows:

	1983	1982	1981
Maximum Amount at Any Month End	$583.0	$899.9	$1,298.7
Daily Average Amount	442.4	531.1	957.3
Average Interest Rates on Borrowings During the Year			
U.S. Dollar	9.51%	14.09%	17.17%
Foreign Currency	11.43	15.71	13.73
Overall	10.18	14.66	16.63
Average Interest Rates on Borrowings Outstanding at Year End			
Bank Borrowings			
U.S. Dollar	11.00	11.50	14.71
Foreign Currency	10.68	13.16	15.34
Overall	10.85	12.34	14.88
Commercial Paper			
U.S. Dollar	9.75	8.77	12.64
Foreign Currency	9.38	11.03	16.65
Overall	9.65	9.26	12.87

9. Accounts Payable and Accrued Liabilities

December 31	1983	1982
Accounts Payable	$ 79.2	$ 82.1
Accrued and Deferred Compensation	17.9	18.6
Accrued Interest	104.6	91.0
Dealer Reserves	17.8	17.9
Deferred Income Taxes	35.3	41.5
Insurance Premiums Payable	42.5	42.1
Other	21.3	24.1
Total Accounts Payable and Accrued Liabilities	$318.6	$317.3

10. Long-Term Debt and Restrictions on Additional Capital and Retained Earnings

Long-term debt outstanding is as follows:

December 31	1983	1982
By Currency		
United States	$3,517.5	$3,262.3
Australian	116.5	115.2
British	75.8	79.2
Canadian	102.7	80.5
Other	118.9	125.2
Unamortized Discount	(89.7)	(103.5)
Total Long-Term Debt	$3,841.7	$3,558.9
By Maturity		
1983	$ —	$ 271.8
1984	580.2	517.7
1985	341.1	339.9
1986	317.1	301.2
1987	605.9	602.1
1988	309.6	292.4
1989–1993	873.5	633.3
1994–1998	304.0	254.0
1999–2003	300.0	300.0
2004–2013	300.0	150.0
Unamortized Discount	(89.7)	(103.5)
Total Long-Term Debt	$3,841.7	$3,558.9
Subordinated Debt Included Above	$ 50.0	$ 50.0
Weighted Average Annual Interest Rate on Debt Outstanding at End of Year	10.01%	9.89%

Long-term debt at December 31, 1983 includes $554.9 for which the holder may elect payment prior to maturity. Such debt is shown above in the earliest year it could become payable.

Certain indentures and agreements relating to the Company's long-term debt contain covenants restricting payment of dividends (other than stock dividends) and the purchase and retirement of the Company's capital stock. At December 31, 1983 and 1982, the amounts of all unrestricted additional capital and retained earnings, under the most restrictive of these covenants, are approximately $180.6 and $270.0.

Annual changes in additional capital are not material.

11. Capital Stock

The number of shares of capital stock is as follows:

Issued and Outstanding December 31	1983	1982
Preferred—no par value (issuable in series).		
Authorized, 500,000		
9.25% Series Redeemable Preferred—$1,000 stated value.	125,000	125,000
Preferred—$1 par value. Authorized, 2,500,000	—	—
5% Cumulative Preferred—$50 par value. Authorized, 585,730	407,718(a	407,718(a
$5.50 Dividend Cumulative Convertible Preferred—no par value—$20 stated value (each share convertible into 4.5 shares of Common; maximum liquidation value, $6,895,400 and $8,261,600). Authorized, 1,164,077	68,954	82,616
$4.50 Dividend Cumulative Preferred—$100 par value. Authorized, 103,976	103,976	103,976
$4.30 Dividend Cumulative Preferred—no par value—$100 stated value. Authorized, 1,069,204	836,585	836,585
Common—$1 par value. Authorized, 60,000,000	22,321,740(b	22,241,884(b
After deducting treasury shares		
a) 5% Cumulative Preferred	178,012	178,012
b) Common	4,751,012	4,769,396

At December 31, 1983, the Company has reserved 920,933 authorized but unissued shares of Common Stock for conversion of the $5.50 Preferred and the conversion of outstanding convertible 10.5% Instalment Notes.

12. Redeemable Preferred Stock

Dividends on the 9.25% Series Redeemable Preferred Stock, which are cumulative, are payable quarterly at $23.125 per share. Beginning November 15, 1985 and annually through November 15, 1999, the Company is required to redeem 8,333 shares of the stock through a sinking fund at $1,000 per share. Sinking fund payments are cumulative. The Company may, at its option, increase the sinking fund payment by 8,333 shares annually up to an aggregate of 43,750 shares. Unless dividend and sinking fund payments on this stock are current, the Company may not pay dividends or make other distributions or purchase, redeem, or retire any issues of stock junior to this issue. The Company has the right to redeem the stock beginning November 15, 1989 at an initial redemption price of $1,043.82 per share, declining ratably thereafter to $1,000 per share. Upon the arrearage of six quarterly dividends on any series of the Preferred Stock, the holders of the 9.25% Series Preferred Stock with the holders of other series of the Preferred Stock voting as a class would be entitled to elect two members of the Board of Directors.

13. Employee Retirement Plans

During 1983 the Company terminated its domestic retirement plan subject to regulatory approval and replaced it with a restructured program providing the participants with equal or increased future retirement benefits. The restructured program covers substantially all employees in the United States. All participants in the terminated plan were 100% vested, and annuity contracts will be purchased to provide benefits. Excess assets will be returned to the Company and be amortized against future retirement plan costs.

Total pension expense was $1.6, $5.1, and $6.5 for 1983, 1982 and 1981, respectively. The Company has made annual contributions to the plans at least equal to the amounts accrued for retirement expense.

Prior to the restructuring of the retirement program, accumulated plan benefits and plan net assets for the Company's domestic benefit plan were:

January 1	1982	1981
Actuarial Present Value of Accumulated Plan Benefits		
Vested	$37.9	$44.0
Nonvested	7.4	6.2
Total Actuarial Present Value of Accumulated Plan Benefits	$45.3	$50.2
Net Assets Available for Benefits	$86.3	$85.3

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 9% in 1982 and 8% in 1981.

14. Provision for Restructuring Costs

In 1981 the Company provided $7.2 for employee severance costs related to the restructuring of operating departments and headquarters operations resulting from the closing of approximately 450 domestic consumer finance offices and provided $1.2 for the loss on the sale of consumer lending operations in two states.

Beneficial Corporation and Consolidated Subsidiaries
Notes to Financial Statements *(concluded)*
(amounts in millions)

15. Income Taxes

The Company files a consolidated U.S. federal income tax return with all eligible subsidiaries, including those in the Merchandising Division and, prior to its disposition, the Savings and Loan Division. Income taxes, whether payable currently or in the future, are provided on reported earnings. U.S. income taxes generally have not been provided on retained earnings of foreign subsidiaries, as these earnings are expected to be permanently invested in foreign countries.

The provision for income taxes is comprised of:

	1983	1982	1981
Current			
U.S.	$ 8.7	$14.8	$(18.0)
Foreign	16.3	14.1	13.6
Total	25.0	28.9	(4.4)
Deferred			
U.S.	17.4	5.9	41.1
Foreign	1.2	2.1	1.7
Total	18.6	8.0	42.8
Investment Tax Credit Deferred	—	—	.7
State and Local	6.2	1.5	3.4
Total Provision for Income Taxes	$49.8	$38.4	$ 42.5

Deferred income taxes result from timing differences in the recognition of income and expense for tax and financial statement purposes and relate to:

	1983	1982	1981
Differences Between Cash and Accrual Basis	$ 7.5	$ (6.3)	$ 4.0
Insurance Benefits Provided	4.2	.5	2.3
Leasing Transactions	18.4	17.5	30.1
Provision for Credit Losses	(.6)	(1.1)	(.6)
Tax Credits Applied to Deferred Taxes	(9.0)	—	—
Unrealized Foreign Exchange Gain (Loss)	—	—	2.8
Insurance Policy Acquisition Costs	.5	(.2)	3.5
Other	(2.4)	(2.4)	.7
Total Provision for Deferred Income Taxes	$18.6	$ 8.0	$42.8

A reconciliation of the provision for income taxes at the statutory U.S. income tax rate to the tax provision as reported follows:

	1983	1982	1981
Statutory U.S. Tax Rate	46.0%	46.0%	46.0%
Increase (Decrease) Resulting From:			
Excess of Effective Foreign Tax Rates Over U.S. Rate	(1.8)	4.1	4.8
Lower Effective Tax Rate for Insurance Subsidiaries	(7.3)	(15.2)	(17.1)
Foreign Tax Credit	(2.6)	—	—
Investment Tax Credit	(4.2)	(1.5)	(3.1)
State and Local Income Taxes, After Federal Income Taxes	2.0	.6	1.7
Non-Tax Deductible Foreign Exchange Loss	—	—	4.7
Accrual for Prior Year Taxes	—	—	3.9
Tax Benefit From Filing Consolidated Tax Return with Savings and Loan Division	—	(8.8)	(3.9)
Other	(1.8)	5.6	1.6
Effective Tax Rate	30.3%	30.8%	38.6%

16. Leases

The Company's consumer finance system operates from leased premises generally having an original term of five years with a renewal option for a like term. The Company also leases an office complex with a primary term of twenty-eight years and renewal options totalling forty-seven years. Data processing equipment lease terms range from two to five years and are generally renewable. The minimum rental commitments under non-cancelable operating leases at December 31, 1983 are as follows:

1984	$ 26.6
1985	23.1
1986	19.7
1987	21.9
1988	24.5
1989–1993	115.8
1994–2015	441.3
Total	$672.9

17. Segment Information

The Company's principal operations are comprised of two divisions: the Finance Division and a non-consolidated Merchandising Division, which is reported on page 63. The Finance Division is comprised of the Consumer Finance Group and the Insurance Group and segment data is presented on pages 61 and 62. Intersegment eliminations are not material.

Operations of the Finance Division are primarily in the United States. Foreign operations are conducted through subsidiaries in Canada, Australia, the United Kingdom, West Germany and other countries.

The Company generally attempts to limit its asset exposure to foreign exchange fluctuations by borrowing or selling forward in the same currencies as its assets. In the aggregate, amounts denominated in foreign currencies after translation to U.S. dollar equivalents are:

December 31	1983	1982
Assets	$758.7	$744.1
Liabilities	729.5	705.4
Net Assets	$ 29.2	$ 38.7

Data by geographic area follows:

	Revenue			Income Before Income Taxes			Identifiable Assets	
	1983	1982	1981	1983	1982	1981	1983	1982
Geographic Areas								
United States	$1,411.5	$1,315.8	$1,324.3	$143.9	$113.8	$ 95.2	$5,882.0	$5,298.5
Foreign	244.5	252.7	242.5	20.2	11.0	14.9	1,453.5	1,368.5
Intersegment Eliminations	(74.1)	(70.9)	(56.9)	—	—	—	(619.2)	(604.0)
Total	$1,581.9	$1,497.6	$1,509.9	$164.1	$124.8	$110.1	$6,716.3	$6,063.0

The assets above are classified by their identification with operations in each geographic area without regard to currency denominations.

18. Commitments and Contingent Liabilities

Subsidiaries of Harbour Island, a non-consolidated subsidiary, have entered into joint ventures as limited partners to construct a hotel, an office complex and a specialty retail complex on real estate it owns in Tampa, Florida. The joint ventures have secured construction and permanent financing for the projects from a major lending institution. These projects are expected to be completed by mid-1985 at a total cost of approximately $70.0. The Company will be contingently liable for the outstanding balances of all project loans in the event the infrastructure improvements (estimated cost, $30.0) are not timely completed.

At December 31, 1983, Beneficial was contingently liable for agreements relating to the financing and development of condominium and land development projects in Texas, entered into by Wasco Properties, Inc., a non-consolidated subsidiary. Pursuant to the agreements, the subsidiary would be obligated to a maximum of $82.0 plus accrued interest, should there occur certain events and subject to other terms and conditions specified in the underlying financing agreements, to purchase from the project developer condominium units and/or land parcels which at the time had not been sold to third parties.

19. Selected Financial Data

Selected unaudited financial data required by the Securities and Exchange Commission are included in the Data by Calendar Quarter—Supplemental Information, page 70 and in the Eleven-Year Summary—Supplemental Information, page 72.

Beneficial Corporation and Consolidated Subsidiaries

Accountants' Opinion

The Board of Directors and Shareholders
of Beneficial Corporation

We have examined the balance sheets of Beneficial Corporation and Consolidated Subsidiaries as of December 31, 1983 and 1982 and the related statements of income and retained earnings and changes in financial position for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Beneficial Acceptance Corporation (a consolidated subsidiary), which statements reflect assets of $89.4 and $90.9 million at December 31, 1983 and 1982 and revenue of $14.4, $21.7 and $24.3 million respectively, for each of the three years ended December 31, 1983. We also did not examine the financial statements of the Merchandising Division, the equity in net assets and net income of which are set forth in the accompanying financial statements. In addition, we did not examine the financial statements of the Savings and Loan Division or Spiegel, Inc. and Subsidiaries, for the year ended December 31, 1981, the equity in net assets and net loss of which are included in other assets and in discontinued operations in the accompanying financial statements. The financial statements of the aforementioned companies and divisions were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for such companies and divisions, is based solely upon the reports of the other auditors.

In our opinion, based upon our examinations and the reports of other auditors referred to above, such statements present fairly the financial position of Beneficial Corporation and Consolidated Subsidiaries at December 31, 1983 and 1982 and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1983 in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which we concur, in 1982 in the method of accounting for foreign currency translation as described in Note 2 to the financial statements.

DELOITTE HASKINS & SELLS

Morristown, New Jersey
February 7, 1984

Supplementary Financial Data Adjusted for General Inflation (Unaudited)

(in millions)	1983
Income From Continuing Operations as Reported in the Statement of Income	$105.6
Adjustment to Restate Depreciation Expense for the Effect of General Inflation	(2.0)
Income From Continuing Operations Adjusted for General Inflation	$103.6
Decline in Purchasing Power of Net Monetary Assets Held	$ 20.3

(in millions of average 1983 dollars)					
Years Ended December 31	1983	1982	1981	1980	1979
Revenue	$1,581.9	$1,542.5	$1,660.9	$1,782.5	$1,383.3
Income From Continuing Operations	103.6	79.2	69.1	116.0	115.4
Net Assets at Year End	952.2	943.9	1,100.9	1,281.5	1,347.3
Per Common Share					
Income From Continuing Operations	3.86	2.76	2.25	4.27	4.78
Cash Dividends	2.00	2.06	2.20	2.42	2.67
Market Price at Year End	33.18	25.24	22.14	26.47	36.48
Decline in Purchasing Power of Net Monetary Assets Held	20.3	14.8	37.5	65.0	69.5
Average Consumer Price Index	298.4	289.1	272.4	246.8	217.4

Beneficial Corporation and Consolidated Subsidiaries

Supplementary Financial Data Adjusted for General Inflation

Introduction

Financial Accounting Standard (FAS) No. 33 requires that selected historical financial data be restated to reflect the effects of general inflation using two methods of measurement: the constant dollar method and the current cost method. The constant dollar method requires that the historical cost data of the primary financial statements be adjusted for general inflation using the Consumer Price Index for All Urban Consumers (CPI-U) to provide financial information in dollars of equivalent purchasing power (constant dollars). Conversion to constant dollars does not change the historical cost basis of measurement but changes only the unit of measurement. The current cost method requires that the historical cost data of the primary financial statements be adjusted for the effects of changes in values of specific assets. Property and equipment, the specific assets of the Company affected by the requirement, are relatively insignificant to the operations of the Company. Since current cost amounts do not differ materially from amounts adjusted for general inflation, current cost data are not presented.

The methodology of FAS No. 33 is experimental in nature; therefore, the data presented herein should not be viewed as a precise calculation of the effects of inflation.

Income From Continuing Operations Adjusted for General Inflation

As most of the Company's assets and liabilities are monetary in nature and fixed in terms of the amount of cash to be received or paid, they require no adjustment to income from continuing operations. Property and equipment, however, is not a monetary asset and has been restated to average 1983 dollars using the CPI-U. This resulted in a higher depreciation expense, reducing income from continuing operations by $2.0 million. Depreciation expense was calculated using the same methods, useful lives and salvage values used for historical cost depreciation as reflected in the primary financial statements. Revenue and other expense items were not restated as these are assumed to have occurred proportionately to the CPI-U over the course of the year.

FAS No. 33 requires that no adjustment be made to the provision for income taxes for the additional depreciation expense.

The decline in purchasing power of net monetary assets held is shown as a separate line item and is not included as an adjustment to income from continuing operations. Net monetary assets are cash and claims to cash less amounts owed, fixed in terms of dollars. Financial institutions are usually in a positive net monetary position; consequently, they will show a purchasing power decline during periods of rising prices.

Selected Supplementary Financial Data Adjusted for General Inflation

The table shows the effect of adjusting selected financial data to average 1983 dollars. Net assets at year-end 1983 are calculated by reducing shareholders' equity by the historical cost of property and equipment and converting the remaining shareholders' equity to average 1983 dollars. To this figure is added the constant dollar property and equipment balance. The decrease in constant dollar net assets versus net assets as reported in the primary financial statements is due to the conversion of year-end shareholders' equity (less property and equipment) from year-end 1983 dollars to average 1983 dollars.

Management Strategies for Coping With Inflation

The current year benefited from a continued easing in inflation which plagued the economy through the late 1970's and early 1980's. This decline in the rate of inflation resulted in a lower cost of funds for the Company and increased profitability.

Corporate programs are underway to ensure that resources are efficiently utilized and costs are adequately controlled. Domestic lending operations have been reassessed and consolidated, and emphasis is being placed on attracting second mortgage customers. In addition, the Company is rapidly expanding its bank credit card business. Bank credit cards are extremely liquid and in some cases provide pricing protection against volatility in short-term interest rates. The Company also limits its exposure to volatile interest rates by financing growth largely through long-term debt, although modestly greater proportions of short-term debt will be used to match the Company's growing ability to originate variable rate assets. These steps should improve profitability and help offset the adverse effects of inflation.

Consumer Finance Group
Statement of Income

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1983	1982	(in millions)	1983	1982	1981
		Net Finance Revenue			
$237.9	$223.1	Finance Charges and Fees	$ 919.7	$ 910.4	$ 920.4
99.2	88.2	Interest Expense	369.1	388.5	434.8
138.7	134.9	Gross Margin	550.6	521.9	485.6
13.4	6.6	Other Revenue	64.2	43.4	42.3
152.1	141.5	Total	614.8	565.3	527.9
		Operating Expenses			
39.5	36.6	Salaries and Employee Benefits	165.6	166.5	189.9
25.9	37.1	Provision for Credit Losses (less recoveries)	103.0	114.9	108.3
6.7	4.5	Advertising	21.7	12.5	17.0
2.4	3.3	Depreciation	11.2	12.8	10.6
1.9	1.9	Postage and Express	8.1	8.7	10.9
2.3	2.3	Printing and Stationery	8.5	8.6	10.4
11.9	10.9	Rent	47.1	39.2	30.4
3.6	4.2	Telephone	15.9	17.8	19.7
2.6	2.5	Travel	10.2	10.0	13.1
16.8	17.7	Other	59.4	56.2	51.5
113.6	121.0	Total	450.7	447.2	461.8
38.5	20.5	**Operating Income**	164.1	118.1	66.1
—	—	Provision for Restructuring Costs	—	—	(8.4)
38.5	20.5	**Income Before Income Taxes**	164.1	118.1	57.7
14.6	8.0	Provision for Income Taxes	68.0	53.9	34.5
23.9	12.5	**Income Before Foreign Exchange Gain (Loss)**	96.1	64.2	23.2
—	—	Foreign Exchange Gain (Loss), After Income Taxes	—	—	(6.4)
$ 23.9	$ 12.5	**Net Income**	$ 96.1	$ 64.2	$ 16.8

		Supplemental Information			
		During the Period			
$796.2	$512.5	New Funds Lent to Customers	$2,804.0	$1,716.5	$2,225.9
52.1	64.7	Principal of Finance Receivables Purchased	188.2	114.9	163.3
22.9	33.7	Finance Receivables Charged Off (less recoveries)	83.6	114.3	106.6
19.99	21.21	Annual Percentage Rate of Finance Charges and Fees Collected	20.53	21.25	20.88
		At End of Period			
		Total Assets	$5,133.1	$4,699.3	$4,943.3
		Number of Consumer Finance Offices	1,347	1,444	1,793

Insurance Group
Statement of Income

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1983	1982	(in millions)	1983	1982	1981
		Revenue			
$144.4	$135.7	Premium Revenue (Note A)	$ 500.8	$ 446.4	$ 455.2
28.4	23.7	Investment Income (net)	101.2	93.5	85.3
2.0	4.3	Other Income	7.7	12.0	11.5
174.8	163.7	Total	609.7	551.9	552.0
		Benefits and Expenses			
147.2	159.0	Benefits and Policy Reserve Increase (Note A)	482.7	422.8	386.7
22.7	13.9	Commissions and Brokerage	74.5	63.6	68.0
3.6	2.3	Salaries and Employee Benefits	13.8	12.6	12.1
(2.5)	.8	Decrease (Increase) in Unamortized Policy Acquisition Costs	(7.3)	(.8)	(8.9)
1.8	1.6	Licenses and Taxes	5.9	5.6	5.6
7.7	6.1	Other Expenses	24.2	18.1	14.0
180.5	183.7	Total	593.8	521.9	477.5
(5.7)	(20.0)	**Income (Loss) Before Income Taxes**	15.9	30.0	74.5
(10.7)	(13.2)	Provision for Income Taxes	(10.2)	(4.3)	14.6
5.0	(6.8)	**Income (Loss) Before Foreign Exchange Gain (Loss)**	26.1	34.3	59.9
—	—	Foreign Exchange Gain (Loss), After Income Taxes	—	—	(.7)
5.0	(6.8)	**Income (Loss) Before Realized Net Investment Gain (Loss)**	26.1	34.3	59.2
.6	(.4)	Realized Net Investment Gain (Loss), After Income Taxes	3.5	3.2	3.9
5.6	(7.2)	**Income Before Interest Allocation**	29.6	37.5	63.1
(2.8)	(4.0)	Interest Expense Related to Investment in Insurance Group, After Income Taxes (Note B)	(11.4)	(15.3)	(12.3)
$ 2.8	$ (11.2)	**Net Income (Loss)**	$ 18.2	$ 22.2	$ 50.8

		Supplemental Information			
		During the Period			
$144.5	$154.2	Premiums Written	$ 505.7	$ 453.2	$ 463.9
1.47	1.73	Ratio of Premiums Written to Shareholder's Equity (annualized)	1.29	1.27	1.21
		At End of Period			
		Investments	$1,189.2	$1,082.0	$ 939.8
		Unamortized Policy Acquisition Costs	77.4	70.1	69.3
		Total Assets	1,519.0	1,319.8	1,128.3
		Insurance Policy and Claim Reserves	986.6	749.8	622.2
		Shareholder's Equity	393.2	356.0	383.0
		Life Insurance in Force	7,115.6	6,783.6	7,392.8

Note A – The increase in policy reserves, which had previously been deducted from Premium Revenue, has been reclassified to Benefits and Policy Reserve Increase.

Note B – Insurance Group earnings are presented net of interest expense attributable to Beneficial's investment in the Insurance Group. Previously such interest expense had been deducted from Finance Division earnings but had not been applied directly to Insurance Group earnings.

Merchandising Division
Balance Sheet

(in millions) December 31	1983	1982
Assets		
Current Assets		
Cash	$ 9.2	$ 12.0
Receivables (Note 1b)	223.9	234.7
Less Unearned Finance Charges	(4.8)	(6.9)
Allowance for Doubtful Receivables	(16.2)	(15.7)
Receivables Sold to Beneficial (Note 8)	(54.1)	(82.0)
Net Receivables	148.8	130.1
Equity in Receivables Sold to Beneficial (Note 8)	2.9	4.4
Inventories (Note 1c)	130.7	118.6
Other Current Assets (Note 1d)	10.1	16.6
Total Current Assets	301.7	281.7
Property and Equipment (at cost, less accumulated depreciation of $42.8 and $40.1) (Note 1e)	48.9	49.5
Other Assets	.3	.5
Total	$350.9	$331.7
Liabilities and Shareholder's Equity		
Current Liabilities		
Accounts Payable	$ 56.5	$ 42.5
Payable to Beneficial (Note 1d)	29.6	14.8
Other Current Liabilities (Note 4)	48.4	53.0
Total Current Liabilities	134.5	110.3
Long-Term Debt (Note 5)	24.2	30.7
Deferred Federal Income Taxes (Note 7)	7.7	7.7
Total Liabilities	166.4	148.7
Shareholder's Equity (includes retained earnings of $110.1 and $108.6) (Note 5)	184.5	183.0
Total	$350.9	$331.7

See Notes to Financial Statements.

Merchandising Division

Statement of Income and Retained Earnings

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1983	1982	(in millions)	1983	1982	1981
$165.8	$142.5	**Net Sales and Other Revenue**	$650.3	$599.7	$645.7
		Expenses			
131.2	112.2	Cost of Sales (includes certain buying and occupancy expenses)	518.5	480.2	515.8
25.2	23.3	Selling and Administrative (Note 8)	105.5	100.8	103.3
.7	1.4	Provision for Early Retirement Costs (Note 2)	.7	1.4	—
1.1	1.1	Interest	4.8	3.8	4.7
(1.0)	(3.9)	Gain on Sale of Real Estate (Note 10)	(5.3)	(6.6)	—
157.2	134.1	Total	624.2	579.6	623.8
8.6	8.4	**Income Before Income Taxes and Extraordinary Item**	26.1	20.1	21.9
4.0	3.3	Provision for Income Taxes (Note 7)	11.4	8.5	9.9
4.6	5.1	**Income Before Extraordinary Item**	14.7	11.6	12.0
.8	—	Extraordinary Item—Gain on Repurchase of Debentures, After Income Taxes of $.7 and $1.0 (Note 5)	.8	1.0	—
5.4	5.1	**Net Income**	15.5	12.6	12.0
118.7	128.5	Retained Earnings, Beginning of Period	108.6	121.0	114.0
14.0	25.0	Dividends	14.0	25.0	5.0
$110.1	$108.6	**Retained Earnings, End of Period**	$110.1	$108.6	$121.0

See Notes to Financial Statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations
(amounts in millions)

Introduction

During 1983 Western Auto continued increasing productivity and cost efficiency through the sale of underutilized warehouses and long-term leases on property no longer used. Sales of property in 1983 resulted in aftertax gains of $3.7. Two vacant distribution centers, which were closed in 1982, are currently offered for sale and negotiations are in progress for one of these.

Outstanding debentures were purchased in 1983 and 1982 on the open market resulting in aftertax gains of $.8 and $1.0, respectively.

An early retirement incentive plan, which was established in 1982, was again offered in 1983. Participation in this plan resulted in an aftertax charge to earnings of $.3 in 1983 and $.7 in 1982.

The automotive supermarket merchandising strategy, initiated in 1981, was further expanded in 1983. At December 31, 1983, Western Auto was operating 105 automotive supermarkets. Sales in these units were up 32% over 1982. In 1984 Western Auto plans to convert an additional 60 company stores to this concept and to open 40 new stores. In 1983 eighty-two associate stores were converted to a predominately automotive merchandise plan, and it is anticipated that an additional 201 associate stores will be converted in 1984.

Results of Operations

Net sales and other revenue decreased 3.6% and 7.1% in 1981 and 1982, respectively, and increased 8.4% in 1983, each compared to the prior year. The declines in 1981 and 1982 were related to the closing of unprofitable retail and associate stores coupled with the overall deterioration in the economy. The sales increase in 1983, the first since 1979, can be attributed to a recovering economy coupled with significant improvement in sales volume from converted automotive stores, which more than offset sales losses due to fewer outlets.

Cost of sales as a percentage of net sales remained relatively constant throughout the three years. Selling and administrative expenses declined in 1981 and 1982 as Western operated fewer stores and realized efficiencies by closing underutilized distribution facilities. The increase in 1983 was largely the result of costs associated with converting 56 stores to the automotive concept. Interest expense declined in 1982 and increased in 1983 primarily as a result of changes in borrowing levels.

Western Auto reported progressive earnings improvement for each of the three years ended December 31, 1983, due to operating efficiencies, sales of non-productive assets, purchase of debentures, performance of maturing automotive markets and improved general economic conditions. These factors outweighed the impact of conversion costs and fewer retail and associate stores during this period.

Capital Resources and Liquidity

The Merchandising Division finances its operations largely through the sale of consumer receivables to Beneficial and the cash flow from operations.

Net working capital decreased from $171.8 as of January 1, 1981 to $167.2 at December 31, 1983, after reducing long-term debt by $14.7 and paying dividends to Beneficial of $5.0 in 1981, $25.0 in 1982 and $14.0 in 1983.

Merchandising Division
Statement of Changes in Financial Position

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1983	1982	(in millions)	1983	1982	1981
		Source of Funds			
$ 4.6	$ 5.1	Income Before Extraordinary Item	$14.7	$ 11.6	$ 12.0
		Items Not Requiring (Providing) Working Capital			
1.7	1.7	Depreciation	6.2	6.5	7.2
—	.9	Provision for Deferred Income Taxes	—	(.3)	(.1)
6.3	7.7	Funds Provided by Operations Before Extraordinary Item	20.9	17.8	19.1
.8	—	Extraordinary Item—Gain on Repurchase of Debentures	.8	1.0	—
7.1	7.7	Funds Provided by Operations	21.7	18.8	19.1
—	—	Long-Term Debt Issued	—	3.0	—
.5	3.7	Disposal of Property and Equipment	1.1	4.0	4.6
.1	—	Other	.2	.1	.6
$ 7.7	$ 11.4		$23.0	$ 25.9	$ 24.3
		Application of Funds			
$ 2.1	$ 1.1	Additions to Property and Equipment	$ 6.7	$ 3.4	$ 6.0
5.4	1.0	Long-Term Debt Paid	6.5	4.0	7.2
14.0	25.0	Dividends Paid	14.0	25.0	5.0
(13.8)	(15.7)	Increase (Decrease) in Working Capital	(4.2)	(6.5)	6.1
$ 7.7	$ 11.4		$23.0	$ 25.9	$ 24.3
		Changes in Working Capital			
		Increase (Decrease) in Current Assets			
$ (3.6)	$ 7.1	Cash	$ (2.8)	$ 4.5	$ (2.9)
(6.1)	(30.2)	Net Receivables	18.7	5.4	(12.3)
(.7)	.3	Equity in Receivables Sold to Beneficial	(1.5)	(2.2)	.2
(4.0)	(10.3)	Inventories	12.1	(17.3)	13.0
1.3	14.3	Other Current Assets	(6.5)	10.5	3.1
(13.1)	(18.8)		20.0	.9	1.1
		Increase (Decrease) in Current Liabilities			
(2.3)	(12.5)	Accounts Payable	14.0	3.6	(6.8)
4.6	2.7	Payable to Beneficial	14.8	6.7	(.9)
(1.6)	6.7	Other Current Liabilities	(4.6)	(2.9)	2.7
.7	(3.1)		24.2	7.4	(5.0)
$(13.8)	$(15.7)	**Increase (Decrease) in Working Capital**	$ (4.2)	$ (6.5)	$ 6.1

See Notes to Financial Statements.

Notes to Financial Statements
(amounts in millions)

1. Summary of Significant Accounting Principles and Practices

a) Affiliation and Combination Basis. The Merchandising Division is comprised of Western Auto Supply Company and subsidiaries.

b) Receivables and Finance Charges. Receivables consist of the following: retail and associate store customer instalment accounts for which finance charges are taken into income by the sum-of-the-digits method; revolving accounts for which finance charges are taken into income when billed to the customers; and amounts due from associate store owners for which there are no finance charges if payment is received within the trade terms.

Receivables becoming due in more than one year of $60.7 and $62.2 at December 31, 1983 and 1982 are included in current receivables in accordance with merchandising industry practice.

c) Inventories. Inventories are stated at the lower of cost (first-in, first-out) or replacement market, after considering obsolescence.

d) Income Taxes. Results of operations are included in the consolidated federal income tax return of Beneficial. The provision for federal income taxes for financial statement purposes is approximately the same as it would have been had Western Auto filed a separate return. Federal income taxes payable of $25.4 and $13.9 at December 31, 1983 and 1982 are included in Payable to Beneficial. Deferred income tax charges of $5.4 and $4.9 at December 31, 1983 and 1982 are included in Other Current Assets.

e) Property and Equipment. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred. Expenditures for renewals and betterments are capitalized. Upon the sale, replacement or retirement of property and equipment, the cost and accumulated depreciation or amortization are removed from the accounts, and any gain or loss is reflected in income.

f) Employee Retirement Plans. Current retirement plan costs and amortization of prior service costs over a forty-year period are charged to expense.

g) Accrual for Merchandise Warranties. Accruals are provided for anticipated costs relating to merchandise under warranty not covered by manufacturers' warranties.

2. Provision for Early Retirement Costs

Western Auto offered an early retirement incentive to certain employees resulting in a pretax charge to earnings of $.7 in 1983 and $1.4 in 1982.

3. Provision for Custom Duties

In March 1980, Western and its wholly-owned subsidiary, Midland International Corporation, established a provision of $2.6 as a result of an agreement for the settlement of claims for dumping duties on television sets imported from Japan by Midland and Western through March 1979. However, the U.S. government had been enjoined from putting the settlement into effect until June 1983, when the Supreme Court of the United States affirmed that the government had the authority to enter into the settlement. Western Auto and Midland fully satisfied the terms of the settlement agreement by the payment of $2.6 on July 29, 1983.

4. Other Current Liabilites

December 31	1983	1982
Accrued Merchandise Warranties	$15.0	$15.0
Accrued Salaries and Wages	7.8	6.7
Other	25.6	31.3
Total Other Current Liabilities	$48.4	$53.0

5. Long-Term Debt and Restrictions on Retained Earnings

Long-term debt outstanding is as follows:

December 31	1983	1982
Instalment Notes 8.75% to 14.75%	$ 1.4	$ 2.4
Sinking Fund Debentures, 7.85% Due 1996, With Annual Payments	23.9	29.3
	25.3	31.7
Less Long-Term Debt Due Within One Year	(1.1)	(1.0)
Long-Term Debt	$24.2	$30.7

Annual long-term debt and sinking fund payments are $1.1 in 1984, $.3 in 1985 and $23.9 in 1989 and thereafter.

During the years ended December 31, 1983 and 1982, Western Auto purchased for $3.6 and $2.7 and retired $5.1 and $4.7 of outstanding debentures resulting in aftertax gains of $.8 and $1.0 respectively. The gains have been reported as extraordinary items in the accompanying statement of income.

Merchandising Division

Notes to Financial Statements *(concluded)*

(amounts in millions)

At December 31, 1983, the 7.85% debentures sinking fund requirement has been met through 1988 and a portion of 1989 through the purchase and retirement of the debentures.

The indenture relating to the 7.85% sinking fund debentures contains covenants that restrict the payment of dividends, restrict the purchase and retirement of Western Auto capital stock and limit investments and indebtedness. The amount of unrestricted retained earnings was $28.4 and $35.5 at December 31, 1983 and 1982.

6. Profit Sharing and Retirement Plans

Western Auto and its subsidiaries have trusteed profit sharing plans, and Western Auto has a trusteed retirement plan for substantially all full-time employees.

Contributions to the retirement plan charged to earnings for 1983, 1982 and 1981 were $3.8, $4.0 and $4.2, respectively. Western Auto and its subsidiaries contributed $.7 to the profit sharing plan in 1983. No contributions were made for 1982 and 1981. Accumulated plan benefits and plan net assets for the defined benefit retirement plan were as follows:

January 1	1983	1982	1981
Actuarial Present Value of Accumulated Plan Benefits			
Vested	$30.4	$20.1	$21.4
Nonvested	3.0	2.2	2.5
Total Actuarial Present Value of Accumulated Plan Benefits	$33.4	$22.3	$23.9
Net Assets Available for Benefits	$54.1	$41.9	$36.8

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 9.0% in 1983, 12.3% in 1982 and 10.4% in 1981.

7. Income Taxes

The provision for income taxes is comprised of:

	1983	1982	1981
Current	$10.8	$ 9.4	$7.0
Deferred	(.6)	(2.1)	1.7
State and Local	1.2	1.2	1.2
Total Provision for Income Taxes	$11.4	$ 8.5	$9.9

Deferred federal income taxes result from timing differences in recognition of income and expense for tax and financial statement purposes and relate to:

	1983	1982	1981
Income From Credit Sales	$ (.6)	$(2.7)	$ (.4)
Depreciation	—	.2	.3
Provision for Doubtful Receivables	(.2)	(.3)	.5
Advertising Costs	.4	—	.5
Gain on Sale of Real Estate	(.8)	.8	—
Dumping Duty	1.1	—	—
Other	(.5)	(.1)	.8
Total Provision for Deferred Income Taxes	$ (.6)	$(2.1)	$1.7

A reconciliation of the provision for income taxes at the statutory U.S. income tax rate to the reported tax provision follows:

	1983	1982	1981
Statutory U.S. Tax Rate	46.0%	46.0%	46.0%
Increase (Decrease) Resulting From			
Gain on Sale of Real Estate Taxed at Lower Effective Rates	(3.6)	(5.9)	—
State Income Taxes, After Federal Income Taxes	2.5	3.2	2.9
Investment Tax Credit	(.3)	(.5)	(2.1)
Other	(.8)	(.3)	(1.7)
Effective Tax Rate	43.8%	42.5%	45.1%

8. Transactions with Affiliates

Western Auto sells to Beneficial, with recourse, customer receivables generated by retail stores and associate stores. Western Auto is paid 95% of the gross customer receivables sold and maintains the reserve for credit losses applicable to these receivables. Western Auto guarantees that earnings before interest and income taxes related to the receivables sold will not be less than 150% of interest requirements on debt and rentals for leased properties related directly to these receivables. Administration of the credit function for these receivables is performed by Western Auto. During 1983, 1982 and 1981, Beneficial paid Western Auto $14.4, $18.1 and $15.7, respectively, for administration of the receivables. This is reflected as a reduction of selling and administrative expense. The average of the month-end balances of receivables sold to Beneficial was $70.1, $102.4 and $132.3 for 1983, 1982 and 1981, respectively.

Premiums paid to an insurance subsidiary of Beneficial for employee group life and accident and health insurance for 1983, 1982 and 1981 were $.1, $.9, and $3.3, respectively.

9. Leases

Western Auto and its subsidiaries occupy retail stores and use certain equipment and facilities under various operating leases. Rent expense, principally for retail facilities, for 1983, 1982 and 1981 was $8.2, $8.6 and $9.3, respectively. Lease commitments on real property at December 31, 1983 are:

1984	$ 6.0
1985	5.4
1986	4.3
1987	3.4
1988	2.6
1989-1993	4.9
1994-1998	1.8
1999-2003	.3
	$28.7

It is expected that, in the normal course of business, leases that expire will be renewed or replaced by leases on other properties; thus, it is anticipated that future minimum annual lease commitments will not be less than those shown for 1984. The minimum annual rentals do not include maintenance costs, real estate taxes, insurance, or additional amounts payable on percentage of sales.

10. Sale of Capital Assets

In 1983 Western Auto sold two warehouse facilities, which resulted in a gain of $1.8 ($1.2 aftertax), and sold long-term leases on warehouse facilities at a gain of $3.5 ($2.5 aftertax). In 1982 two distribution centers were sold resulting in a gain of $6.6 ($4.5 aftertax).

11. Supplementary Financial Data Adjusted for the Effects of Changing Prices (Unaudited)

Supplementary inflation adjusted information prepared in accordance with Financial Accounting Standard No. 33 is included in the Form 10-K of Western Auto filed with the Securities and Exchange Commission.

Accountants' Opinion

The Board of Directors
Beneficial Corporation

We have examined the consolidated balance sheets of Beneficial Corporation Merchandising Division as of December 31, 1983 and 1982 and the related consolidated statements of income and retained earnings and changes in financial position for each of the years in the three year period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Beneficial Corporation Merchandising Division at December 31, 1983 and 1982 and the results of its operations and changes in its financial position for each of the years in the three year period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & CO.

Kansas City, Missouri
January 27,1984

Beneficial Corporation and Subsidiaries
Data by Calendar Quarter

Supplemental Information			1983
(in millions, except per share figures)	First Quarter	Second Quarter	Third Quarter
Revenue			
Finance Division	$ 331.1	$ 435.7	$ 394.3
Merchandising Division	150.7	172.0	161.8
Total	$ 481.8	$ 607.7	$ 556.1
Operating Income (Loss)			
Finance Division	$ 39.9	$ 46.1	$ 49.6
Merchandising Division	3.0	5.4	4.8
Total	$ 42.9	$ 51.5	$ 54.4
Net Income (Loss)			
Finance Division	$ 26.9	$ 30.9	$ 29.8
Merchandising Division	4.0	3.0	3.1
Corporate Expense, After Income Taxes			
Administrative	(1.5)	(1.6)	(1.4)
Interest	(4.5)	(4.5)	(4.5)
Income (Loss) From Continuing Operations	24.9	27.8	27.0
Discontinued Operations, After Income Taxes			
Income (Loss)	—	—	—
Interest Expense Related to Investment	—	—	—
Loss on Disposal	—	—	—
Loss From Discontinued Operations	—	—	—
Net Income (Loss)	$ 24.9	$ 27.8	$ 27.0
Earnings Per Common Share			
Continuing Operations	$ .92	$ 1.05	$ 1.02
Discontinued Operations	—	—	—
Net Income (Loss)	$ .92	$ 1.05	$ 1.02
Common Stock			
High Sales Price	$ 24.50	$ 30.00	$ 34.50
Low Sales Price	19.625	26.875	26.875
Dividends Paid Per Share	.50	.50	.50

		1982				
Fourth Quarter	Total	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
$420.8	$1,581.9	$ 417.1	$322.6	$366.2	$ 391.7	$1,497.6
165.8	650.3	154.9	157.8	144.5	142.5	599.7
$586.6	$2,232.2	$ 572.0	$480.4	$510.7	$ 534.2	$2,097.3
$ 28.5	$ 164.1	$ 52.4	$ 45.2	$ 32.7	$ (5.5)	$ 124.8
7.6	20.8	2.6	3.7	2.7	4.5	13.5
$ 36.1	$ 184.9	$ 55.0	$ 48.9	$ 35.4	$ (1.0)	$ 138.3
$ 26.7	$ 114.3	$ 32.0	$ 29.7	$ 23.4	$ 1.3	$ 86.4
5.4	15.5	4.3	1.9	1.3	5.1	12.6
(1.4)	(5.9)	(1.7)	(1.4)	(1.2)	(1.4)	(5.7)
(4.8)	(18.3)	(3.2)	(3.2)	(3.3)	(5.3)	(15.0)
25.9	105.6	31.4	27.0	20.2	(.3)	78.3
—	—	(11.0)	(8.9)	(5.4)	—	(25.3)
—	—	(1.9)	(2.0)	(2.0)	—	(5.9)
—	—	—	—	(78.5)	—	(78.5)
—	—	(12.9)	(10.9)	(85.9)	—	(109.7)
$ 25.9	$ 105.6	$ 18.5	$ 16.1	$ (65.7)	$ (.3)	$ (31.4)
$ .97	$ 3.96	$ 1.21	$ 1.03	$ .70	$ (.21)	$ 2.73
—	—	(.58)	(.49)	(3.83)	—	(4.90)
$ .97	$ 3.96	$ .63	$ .54	$ (3.13)	$ (.21)	$ (2.17)
$34.50		$ 20.00	$20.00	$22.50	$27.125	
31.75		14.625	15.00	15.25	21.75	
.50	$ 2.00	.50	.50	.50	.50	$ 2.00

Beneficial Corporation and Subsidiaries
Eleven-Year Summary

Supplemental Information		
(amounts in millions, except where noted)	1983	1982
During The Year		
Consolidated		
Income From Continuing Operations	$ 105.6	78.3
Income (Loss) From Discontinued Operations	$ —	(109.7)
Net Income (Loss)	$ 105.6	(31.4)
Earnings Per Common Share (dollars)		
Continuing Operations	$ 3.96	2.73
Discontinued Operations	$ —	(4.90)
Net Income (Loss)	$ 3.96	(2.17)
Average Number of Common Shares	22.4	22.4
Dividends Paid Per Common Share (dollars)	$ 2.00	2.00
Finance Division		
Volume of Finance Receivables Acquired Less Unearned Finance Charges (b	$2,718.3	1,911.2
Number of Finance Receivables Acquired (b	1.1	.8
Average Amount of Transaction (dollars) (b	$ 2,589	2,262
% of Monthly Cash Principal Collections to Average Monthly Balances	4.22	3.64
% of Finance Receivables Charged Off (less recoveries) to Average Monthly Balances	1.73	2.45
Revenue	$1,581.9	1,497.6
Interest	$ 390.3	418.0
Provision for Credit Losses (less recoveries)	$ 103.0	114.9
Total Expenses	$1,417.8	1,372.8
Income Before Income Taxes	$ 164.1	124.8
Income From Finance Division	$ 114.3	86.4
% of Income From Finance Division to Revenue	7.23	5.77
Merchandising Division		
Net Sales and Other Revenue	$ 650.3	599.7
Income (Loss) Before Income Taxes	$ 26.1(a	20.1(a
Income (Loss) From Merchandising Division	$ 14.7(a	11.6(a
% of Income (Loss) From Merchandising Division to Net Sales and Other Revenue	2.26	1.93
Corporate Expense, After Income Taxes		
Administrative	$ (5.9)	(5.7)
Interest	$ (18.3)	(15.0)
At Year End		
Consolidated		
Total Assets	$6,716.3	6,063.0
Short-Term Debt	$ 509.6	432.0
Long-Term Debt	$3,841.7	3,558.9
Redeemable Preferred Stock	$ 125.0	125.0
Shareholders' Equity (Excludes Redeemable Preferred Stock)	$ 828.0	785.3
Number of Employees	13,200	13,000
Number of Holders of Common Shares	27,400	27,700
Finance Division		
Principal of Finance Receivables	$4,884.3	4,256.3
Reserve for Credit Losses	$ 205.4	188.3
% of Reserve for Credit Losses to Principal of Finance Receivables	4.21	4.42
% of Finance Receivables (account balances, loans only) with Payments More Than Two Months Delinquent (based upon recency of payment)	.97	1.37
Number of Accounts	2.1	2.1
Average Account Balance (dollars)	$ 2,313	2,048

a) Excludes extraordinary credit of $.8 in 1983, $1.0 in 1982 and $12.1 in 1974.
b) Excludes bank credit card receivables.

1981	1980	1979	1978	1977	1976	1975	1974	1973
66.7	99.9	87.3	93.8	82.3	97.7	71.3	60.8(a	69.7
(74.4)	(6.1)	13.0	4.5	3.4	2.7	2.1	2.9	6.1
(7.7)	93.8	100.3	98.3	85.7	100.4	73.4	63.7(a	75.8
2.22	3.71	3.62	3.98	3.48	4.39	3.23	2.68(a	3.18
(3.33)	(.27)	.59	.21	.16	.13	.11	.15	.33
(1.11)	3.44	4.21	4.19	3.64	4.52	3.34	2.83(a	3.51
22.3	22.3	22.2	22.1	21.8	20.4	19.1	19.1	18.7
2.00	2.00	1.95	1.70	1.60	1.4375	1.25	1.25	1.20
2,708.7	2,734.5	3,226.4	2,690.3	2,261.9	1,900.3	1,553.6	1,669.2	1,739.4
1.4	1.8	2.8	2.4	2.1	1.8	1.5	1.9	2.2
1,940	1,520	1,177	1,098	1,063	1,057	1,028	885	799
3.85	4.01	4.37	4.43	4.34	4.35	4.28	4.45	4.94
2.17	2.34	1.87	1.57	1.74	2.04	2.42	2.12	1.82
1,509.9	1,473.1	1,009.7	769.5	640.4	536.5	460.3	452.5	416.3
458.7	395.4	243.8	162.4	124.1	95.6	82.7	90.8	76.6
108.3	107.2	102.4	70.9	65.7	60.4	54.8	51.1	40.8
1,388.2	1,308.0	846.2	587.1	478.9	395.3	341.1	343.5	301.7
110.1	163.1	164.1	180.2	158.2	136.5	113.1	97.8	113.5
67.6	105.2	103.5	104.7	88.7	75.1	59.9	52.4	59.2
4.48	7.14	10.25	13.61	13.85	14.00	13.01	11.58	14.22
645.7	669.5	750.7	745.8	801.7	847.0	653.1	643.2	632.0
21.9	9.6	(9.8)	(3.2)	2.6	59.8	37.5	29.3	29.2
12.0	4.8	(4.6)	(1.7)	1.4	30.1	18.1	14.6	15.3
1.86	.72	(.61)	(.23)	.17	3.55	2.77	2.27	2.42
(5.7)	(4.6)	(4.7)	(3.2)	(2.3)	(2.1)	(1.6)	(1.2)	(.5)
(7.2)	(5.5)	(6.9)	(6.0)	(5.5)	(5.4)	(5.1)	(5.0)	(4.3)
6,373.2	6,031.4	6,029.2	3,881.1	3,321.2	2,727.9	2,545.0	2,435.0	2,356.3
1,042.3	746.7	926.8	478.9	375.3	267.4	279.4	265.0	240.6
3,357.3	3,336.0	3,324.7	2,210.0	1,861.7	1,492.9	1,355.3	1,360.5	1,353.3
125.0	125.0	103.0	—	—	—	—	—	—
878.5	954.7	926.1	886.5	835.1	791.2	723.8	689.0	637.5
16,800	23,300	26,400	25,500	25,100	24,900	26,600	29,300	32,900
29,400	31,200	32,000	33,200	32,700	31,700	29,900	30,000	29,300
4,445.8	4,252.9	4,264.0	3,015.4	2,526.2	2,085.0	1,828.4	1,781.5	1,700.7
196.5	194.8	203.7	147.8	126.3	106.3	95.0	92.6	86.7
4.42	4.58	4.78	4.90	5.00	5.10	5.20	5.20	5.10
1.62	1.57	1.26	1.15	1.08	1.19	1.29	1.28	1.15
2.5	3.2	3.7	3.0	2.5	2.1	2.0	2.1	2.2
1,811	1,344	1,154	1,013	1,031	995	911	833	756

Beneficial Corporation

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Robert A. Tucker	Member of the Office of the President and Chief Financial Officer
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Robert E. Gaegler	Vice Chairman
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Anthony F. Mita	Executive Vice President and Chief Administrative Officer
Andrew C. Halvorsen	
Robert R. Meyer	
Charles H. Watts, II	

Western Auto Supply Company

John T. Lundegard	Chairman of the Board and Chief Executive Officer

Beneficial National Bank

Frederick M. Dawson	President and Chief Executive Officer

Beneficial National Bank (U.S.A.)

Joseph N. Scarpinato	Chairman of the Board and Chief Executive Officer

Beneficial Commercial Corporation

Frederick M. Dawson	Chairman of the Board and Chief Executive Officer

Beneficial Corporation
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Retired; former President of Beneficial Corporation

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Attorney at Law, Butler, Snow, O'Mara, Stevens & Cannada, Jackson, Mississippi

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Vice Chairman

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Chairman and Chief Executive Officer, Western Auto Supply Company

Steven Muller
President, Johns Hopkins University
Baltimore, Maryland

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Attorney at Law, Natelson and Ross, Taos, New Mexico

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Attorney at Law, Richards, Layton & Finger, Wilmington, Delaware

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Medical Doctor and businessman, Baltimore, Maryland

Charles H. Watts, II (1,3,5)
General Director, educational and business consultant, McLean, Virginia

Sigfried Weis
President, Weis Markets, Inc.
Sunbury, Pennsylvania

K. Martin Worthy (4)
Attorney at Law, Hamel & Park, Washington, D.C.

Directors Emeriti
Thomas W. Cullen
J. Thomas Gurney
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(1) Member of Executive Committee (Finn M. W. Caspersen, Chairman)
(2) Member of Finance Committee (Robert A. Tucker, Chairman)
(3) Member of Audit Committee (Charles H. Watts, II Chairman)
(4) Member of Compensation Committee (K. Martin Worthy, Chairman)
(5) Member of Strategic Planning and Evaluation Committee (George R. Evans, Chairman)

Beneficial Corporation is a direct issuer of commercial paper to institutional and other corporate investors. Notes are sold in amounts of $100,000 or more, for maturities of 5 to 270 days, at competitive market rates. Daily rates for Beneficial commercial paper are posted nationally on the TELERATE SYSTEM next to the symbol "BNL." For further information, or to place an order, please call (201) 781-3614.

Media representatives and others seeking general information about the Company should contact Ms. Ann Stephenson at (201) 781-3880.

Security analysts, portfolio managers, and other investors seeking financial information about the Company should contact Mr. Andrew C. Halvorsen at (201) 781-3601 or Mr. William H. H. Ely at (201) 781-3609.

Copies of the Company's 10-K report to the SEC are available upon request from Mr. Kenneth J. Kircher, Beneficial Corporation, P.O. Box 911, Wilmington, Delaware 19899.

The Annual Meeting of the shareholders of Beneficial Corporation will be held on Monday, April 30, 1984 at 11 a.m. in the Company's headquarters, Beneficial Building, 1100 Carr Road, Wilmington, Delaware.

Morgan Guaranty Trust Company of New York, New York is both registrar and transfer agent for all classes of Beneficial Corporation common and preferred stock.

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Beneficial Corporation
Wilmington, Delaware 19899